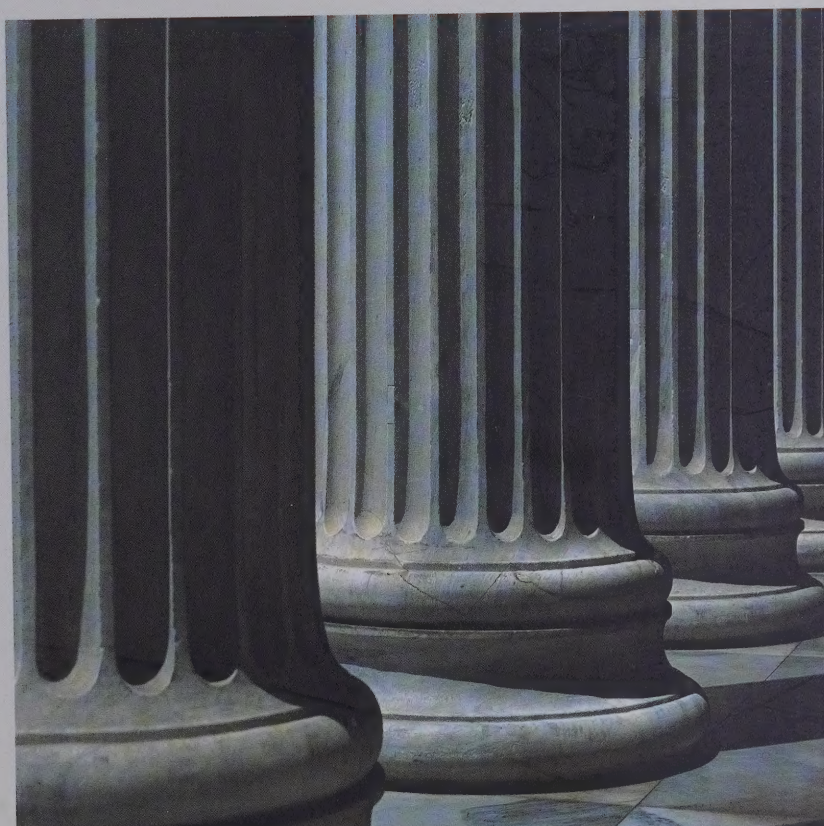
IGI

Investors Group Inc.

Timeless Principles. Fundamental Strength.



2002 Annual Report

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IGI

Timeless Principles. Fundamental Strength.

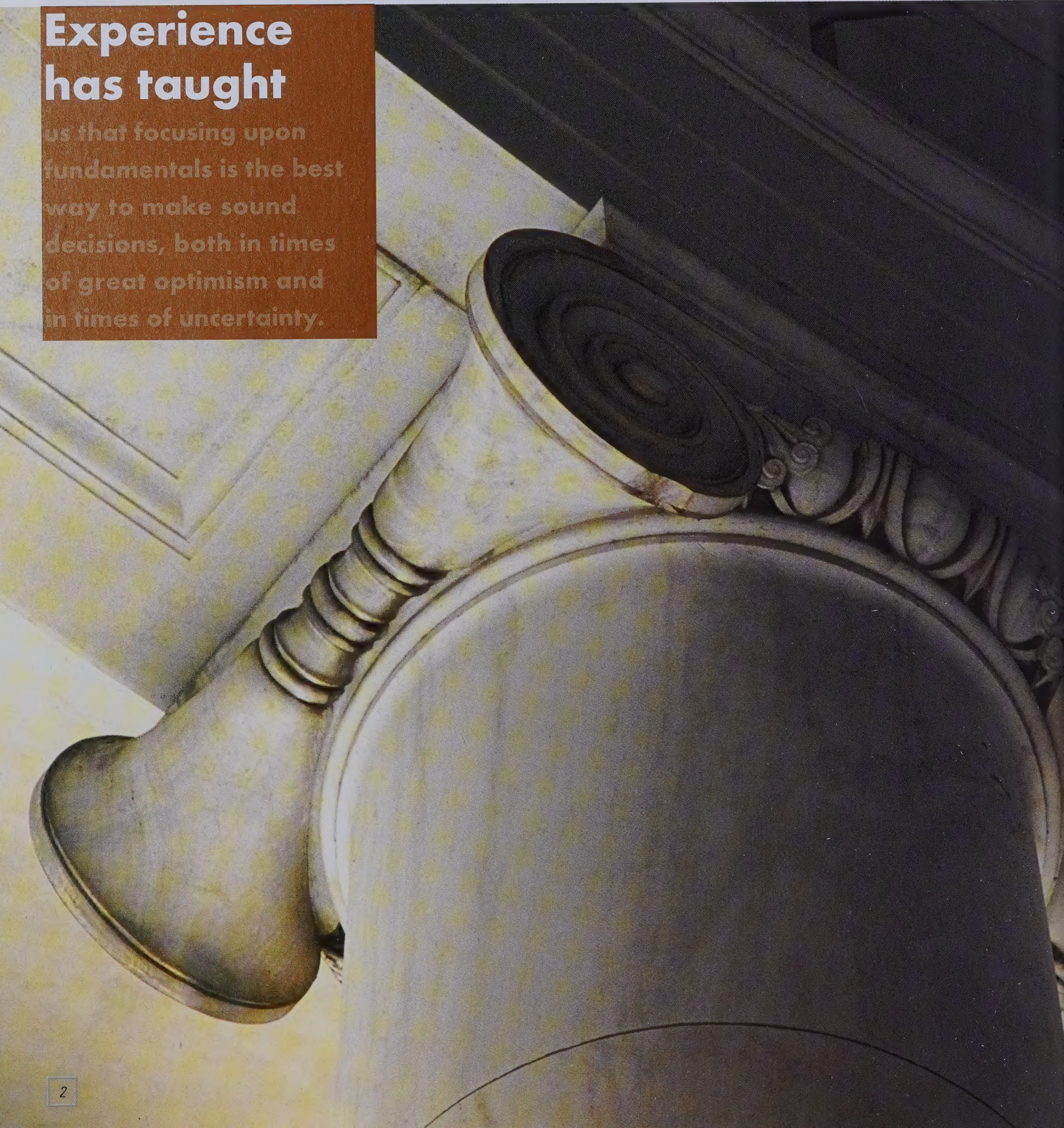
Certain principles hold true from one situation to the next and stand the test of time.

■ The need to think ahead and take a long term view ■ The benefits of becoming informed and seeking knowledgeable advice prior to making decisions ■ The importance of building solid foundations ■ The need to have the discipline to focus on details, without losing the broader perspective ■ The importance of not getting caught up in the exuberance of the moment, nor of allowing challenges to let one lose sight of the opportunities

Whether advising our clients or building our business, these principles provide us with perspective on the present, and a basis of strength and confidence for the future.

Experience has taught

us that focusing upon fundamentals is the best way to make sound decisions, both in times of great optimism and in times of uncertainty.



Investors Group Inc.
Operations at a Glance

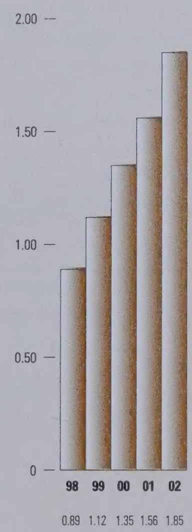
IGI

Investors Group Inc. is one of Canada's premier mutual fund, managed asset and personal financial services companies. With close to 2.6 million clients and more than $74 billion in client assets under management and administration, Investors Group Inc. holds a strong leadership position in the financial services industry. The Company's two operating units, Investors Group and Mackenzie Financial Corporation, offer their own distinctive products and services through separate advice channels encompassing over 38,000 consultants and independent financial advisors. Investors Group Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange (IGI).

2002 Highlights

- Net income available to common shareholders increased by 26.7% to $491 million.
- Earnings per share increased by 18.5% over 2001 to $1.85.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $1.15 billion for the year, an increase of 10.2%.
- Over 80% of the $100 million in shareholder and unitholder targeted synergies between Investors Group and Mackenzie were achieved by year-end.
- Consolidated non-commission expenses were reduced by 10.8% from 2001 pro forma levels.
- Combined mutual fund assets under management were $68.4 billion at December 31, 2002, representing 17.5% of total industry assets.

Investors Group Inc. Earnings Per Share*
For the financial year
($)



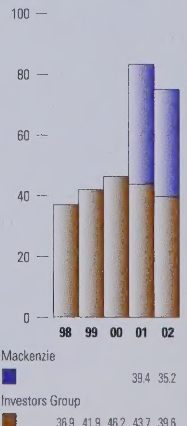
*Excluding Mackenzie goodwill amortization and restructuring costs in 2001

FINANCIAL HIGHLIGHTS

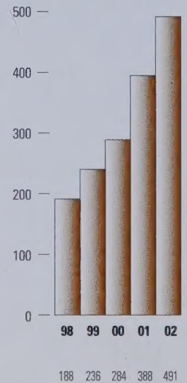
	2002	2001	Change
Net income available to common shareholders[1] ($ Millions)	**$ 491.1**	$ 387.7	26.7 %
Goodwill amortization[2]	**–**	4.9	
Adjusted net income	**491.1**	392.6	25.1
Diluted earnings per share[1]	**1.854**	1.564	18.5
Goodwill amortization[2]	**–**	0.020	
Adjusted diluted earnings per share	**1.854**	1.584	17.0
Dividends per share	**0.860**	0.730	17.8
Return on equity	**19.2%**	19.6%	
($ Millions)			
Mutual funds			
Investors Group			
Sales	**$ 4,915.8**	$ 6,027.0	(18.4) %
Net sales	**(108.6)**	1,030.6	(110.5)
Assets under management	**37,588.1**	41,644.0	(9.7)
Mackenzie Financial Corporation[3]			
Sales	**5,998.0**	3,453.8	N/M
Net sales	**288.1**	23.7	N/M
Assets under management	**30,860.1**	33,399.6	(7.6)
Combined mutual fund assets under management	**68,448.2**	75,043.6	(8.8)
Insurance in force (face amount)	**27,546.4**	24,374.5	13.0
Securities operations assets under administration	**4,937.6**	4,104.5	20.3
Mortgages serviced	**6,938.1**	7,659.2	(9.4)
Deposits and certificates	**709.0**	671.2	5.6
Clients	**2,578,173**	2,624,614	(1.8) %
Client accounts	**9,486,030**	9,488,293	–
Consultants	**3,324**	3,409	(2.5)
Employees	**3,285**	3,650	(10.0)
Financial Planning Centres	**107**	102	4.9

[1] Net income and earnings per share for the year ended December 31, 2001 exclude a restructuring charge of $95.6 million ($56.0 million after-tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation. [2] Represents goodwill amortization related to the Company's investment in affiliate to reflect accounting standards now in effect. (See Note 1 of the consolidated financial statements). [3] Canadian operations only. 2001 results from acquisition date or as at December 31.
Note: Certain comparative figures in this report have been restated to conform with current year presentation.

Client Assets under Management and Administration
As at December 31
($ Billions)

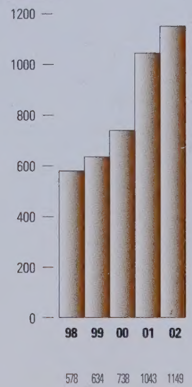


Net Income*
For the financial year
($ Millions)



Excluding Mackenzie goodwill amortization and restructuring costs in 2001

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*
For the financial year
($ Millions)



Excluding restructuring costs in 2001

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Our energies are devoted to providing clients, advisors and consultants with the best advice, products and services available in the industry.

During 2002, Investors Group Inc. once again delivered strong financial results. Synergies generated between its operating units – Investors Group and Mackenzie Financial Corporation – and a disciplined focus on cost containment contributed significantly to earnings.

The environment in 2002 was very challenging for our clients and for the financial advisors and consultants who serve them. The third year of a bear market, combined with mounting global tensions, have shaken the confidence many Canadians have in financial markets.

Experience has taught us that focusing upon fundamentals is the best way to make sound decisions, both in times of great optimism and in times of uncertainty. The fundamentals lead us to be optimistic about the prospects for our clients and for the Company.

We know that individuals in Canada as in other countries will continue to need to save in order to provide for their futures. We also know that equity markets have, over time, provided the most attractive financial returns of any asset class. And we believe that most Canadians are best served by managing their financial affairs based upon the advice of a knowledgeable advisor, in the context of a long-term financial plan, with a professionally managed and diversified portfolio.

We believe these fundamentals will eventually overcome the current forces which are negatively impacting financial markets, and will reinforce the strength of the Company's advisor-based business model.

Financial Results

Net income attributable to common shareholders for the year ended December 31, 2002 was $491.1 million compared to $387.7 million in 2001. Earnings per share were $1.85 compared with $1.56 in 2001, an increase of 18.5%. The net income figure for the same period in 2001 excludes both a restructuring charge of $95.6 million ($56.0 million after tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie.

A change in accounting estimate effective April 1, 2001 related to amortization of sales commissions reduced expenses and increased earnings for 2002 by $19.8 million after tax or 7.5 cents per share. Excluding this change, earnings per share would have been $1.78, an increase of 14%. The Company changed the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie and the industry generally.

Dividends per share increased for the thirteenth consecutive year, rising 13 cents to 86 cents.

2002 Priorities

Over the course of 2002, our efforts were focused on the execution of three priorities:

- Realizing on the revenue and cost opportunities flowing from the Mackenzie transaction.
- Achieving higher growth in asset levels.
- Containing the growth in expenses.

Achieving higher growth in asset levels proved to be an elusive target during 2002, but the Company achieved its objectives with respect to Mackenzie transition activities and containing expenses. It also took many steps to strengthen the Company's position in order to realize its growth potential in the future.

Mackenzie Opportunities

The acquisition of Mackenzie in 2001 provided the Company with a premier vehicle to serve the independent financial planner and full service broker markets.

Substantial progress was made in 2002 toward the goal of achieving $100 million in annual cost and revenue opportunities. By year-end, the Company had achieved $81 million in run-rate synergies for shareholders and unitholders through initiatives which included: re-negotiated vendor relationships and sub-advisory investment management agreements; consolidation of a number of systems and management activities; implementation of "best demonstrated practices"; and continued development in the non-mutual fund areas of the Company such as MRS and Winfund. The Company was also hard at work preparing for the migration to common systems architecture, which will produce additional opportunities into the future.

The current environment has not dampened our optimism for the future.

In December, Mackenzie completed the sale of its U.S. subsidiary, Mackenzie Investment Management Inc. to Waddell & Reed Financial, Inc., who were also retained as a sub-advisor on certain Mackenzie funds distributed in Canada.

The bridge financing facilities arranged in 2001 in connection with the Mackenzie acquisition were also repaid in 2002.

Asset Growth

While weak financial market conditions resulted in lower mutual fund asset levels, the Company finished the year with net sales on a consolidated basis, largely due to strong relative mutual fund performance at both Investors Group and Mackenzie and strong sales activity at Mackenzie. There were also increases in new business in the non-mutual fund areas of the Company, particularly in the insurance and securities operations.

The Company took steps in 2002 to position itself for future growth, including:

- The strengthening of Mackenzie's mutual fund product shelf, including changes to a number of sub-advisory relationships and new product introductions.

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- The launch of Investors Group Corporate Class Inc., the broadest tax-advantaged fund structure available in Canada.
- The establishment of a long-term banking relationship between the National Bank of Canada and the Company, Great-West Life and London Life.

These initiatives, along with a strong commitment to support the consultants and advisors who work with clients in every part of the country, will position the Company for greater asset growth in the future.

Management of Expenses

The Company undertook a significant expense management exercise during 2002 designed to achieve efficiencies and reduce expenditure levels, without negatively affecting our service and support to clients, consultants and advisors. The Company reduced non-commission expenses by $65 million when compared to the level of expenses incurred by Investors Group and Mackenzie for the full year 2001.

Board of Directors

Retiring from the Board in 2002 were Mr. David Jackson, who had served as a Director since 1991, and Mr. Alexander Christ, who had served since 2001, and as a director of Mackenzie Financial Corporation since 1971. We wish to thank Mr. Jackson and Mr. Christ for their contributions to the Company over many years.

The Board of Directors would also like to acknowledge the efforts and contributions of our many employees and the consultants and financial advisors with whom we partner. The Company's success would not be possible without their ongoing support and commitment.

Looking to the Future

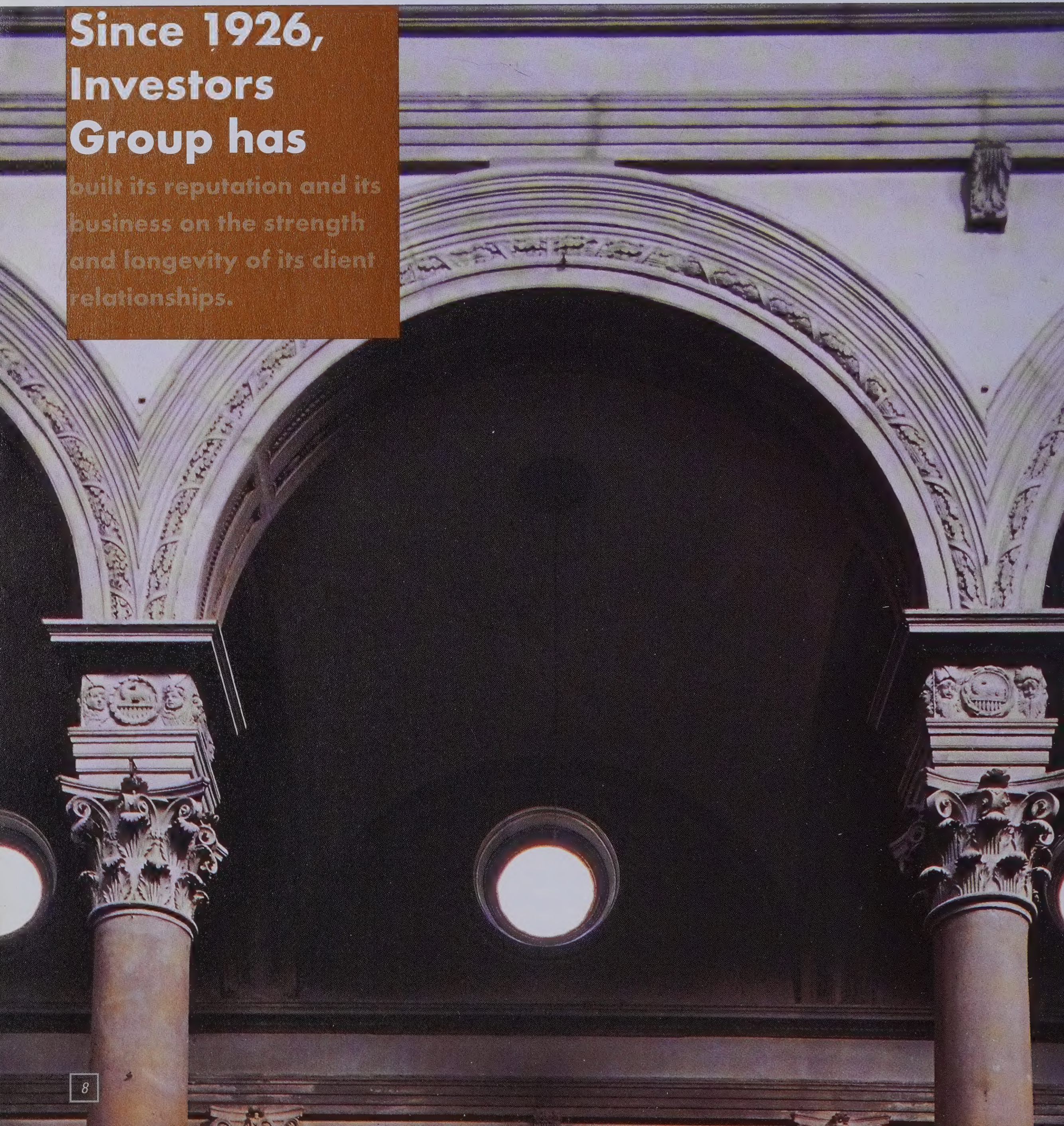
The priorities we established for the Company last year also apply to 2003. Growth in asset levels, opportunities created by the acquisition of Mackenzie and the prudent management of expenses will be the Company's primary focus.

The current environment continues to be challenging, but it has not dampened our optimism for the future. Our energies are devoted to positioning the Company so that we may continue to provide clients, advisors and consultants with the best advice, products and services available in the industry.

On behalf of the Board of Directors,

R. Jeffrey Orr
President and Chief Executive Officer
Investors Group Inc.
January 31, 2003

Since 1926, Investors Group has built its reputation and its business on the strength and longevity of its client relationships.



IGI

Investors Group

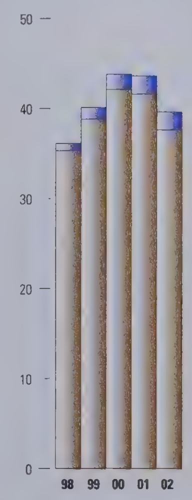
SOLUTIONS BUILT AROUND YOU.™

Investors Group, through a network of over 3,300 Consultants nationwide, provides personal financial solutions to more than one million Canadians from coast to coast. Clients receive comprehensive investment, retirement, tax and estate planning advice and service. Investors Group has top quality investment management with global operations in Winnipeg, Toronto, Montreal, Dublin and Hong Kong and offers a full range of investments through its Investors Masterseries™ and third-party advised funds, along with a broad selection of insurance, mortgage and securities products and services.

2002 Highlights

- Launched Investors Group Corporate Class Inc. – Canada's largest tax-advantaged fund structure.
- At year-end, 47% of Investors Masterseries™ mutual funds had a four or five star Morningstar rating and 81% had a rating of three stars or better, both significantly higher than the Morningstar universe.
- Significant savings achieved in 2002 through the reduction of operating expenses.
- Agreement reached with National Bank of Canada to provide banking products and services to Investors Group clients.
- Total face amount of insurance in force increased by 13% and securities operations assets under administration increased by 9.4% over 2001.

Consultant Assets under Management and Administration
As at December 31
($ Billions)



	98	99	00	01	02
Other Assets	0.8	1.3	1.7	2.0	2.0
Mutual Funds	35.3	38.8	42.1	41.6	37.6

R. Jeffrey Orr
President and Chief Executive Officer
Investors Group Inc.

Investors Group

SOLUTIONS BUILT AROUND YOU.™

During 2002, much attention was paid to the efforts being made to realize on the opportunities from the Mackenzie transaction and the focus on cost management in the face of the difficult market conditions.

A number of other important developments occurred during the year which will impact the future direction of Investors Group's business, including:

- The establishment of new leadership of Investors Group's distribution activities with the appointment of Murray Taylor as Executive Vice-President, Financial Services Division. Mr. Taylor joined Investors Group in 2001 after 25 years with our sister companies, Great-West Life and London Life. Prior to his taking on his distribution leadership responsibilities, he led the Investors Group-Mackenzie transition activities.
- The re-affirmation by Investors Group management of its commitment to strengthening the Consultant Network by providing a highly competitive package of products, services, support, training, compensation and non-monetary benefits to our Consultants.
- The introduction of changes to our industry-leading Consultant training programs – changes which resulted from good communication and close cooperation between field management, many of our Consultants and head office personnel.
- The clarification to our Consultant Network that Investors Group's efforts will continue to be aimed at a broad range of Canadians and that we will support the development of products and services for many different segments of our client base.

- The reiteration of financial planning as the discipline at the centre of the value package we deliver to clients.

These developments helped clarify Investors Group's future direction for the thousands of men and women located across Canada who serve our clients and for our employees at head office. They have also helped to prioritize our energies and our efforts.

Strong, rewarding client relationships

Since 1926, Investors Group has built its reputation and its business on the strength and longevity of its client relationships. These relationships are established by creating unique financial solutions to address the client's individual needs, and offering a comprehensive selection of financial products, services and advice in support of that purpose.

Investors Group's strong commitment to financial planning is reinforced through a comprehensive network of Consultants, and we provide them with the products, training and professional support they need to enrich their relationships with clients. These Consultants examine the client's long-term goals and tolerance for risk, and recommend balanced, diversified and professionally managed investment portfolios. They also look at the retirement planning, tax planning and estate planning needs of the client, and provide them with knowledgeable advice.

We remain confident that by taking a long-term view, clients are more likely to achieve their financial objectives.

The strength and resilience of our client relationships was once again the focus in 2002, as global financial markets entered the third year of a bear market. Although market lows continued to be tested on news of corporate reporting scandals and the uncertainty of war, Investors Group supported our Consultants with tools and information designed to put these conditions into a longer-term perspective. The value of this approach was evident by the great majority of clients who continued to take a long-term view, in spite of the market turmoil. We remain confident that by taking a long-term view, clients are more likely to achieve their financial objectives.

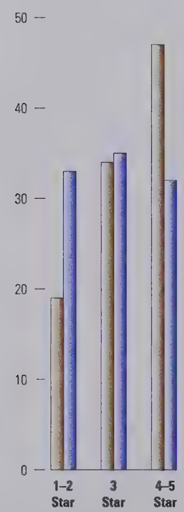
A wealth of products, services and support

Investors Group continued to enhance its products and services in 2002, improving the quality and breadth of selection that sets it apart from the rest of the industry.

On the investment management front, 47% of Investors Masterseries™ mutual funds had year-end ratings from the independent Morningstar service of four or five stars, and 81% had a rating of three stars or better, both significantly higher than the Morningstar universe and consistent with results from the past several years (refer to Morningstar Ratings – Masterseries™ chart on page 12).

In October, we launched Investors Group Corporate Class Inc., Canada's largest tax-advantaged fund structure featuring tax deferred switching among 46 mutual funds offered by nine of North America's leading investment advisors.

Morningstar Ratings – Masterseries™
As at December 31, 2002
(% of Funds)*



	1–2 Star	3 Star	4–5 Star
Investors Masterseries™	19%	34%	47%
All Morningstar-Rated Funds	33%	35%	32%

*of Investors Masterseries™ funds rated by Morningstar
(Source – Morningstar)

Also during the year, we continued to refine our external advisory relationships, with Mackenzie Financial Corporation and Goldman Sachs taking on new mandates, and asset allocation specialist First Quadrant being added as a sub-advisor.

In November, Investors Group, Great-West Life and London Life announced the signing of a definitive agreement with National Bank of Canada to make banking products and services available to our combined 3.2 million clients. The range of products will include investment loans, lines of credit, deposit accounts and credit cards. The banking products will be distributed through more than 7,000 consultants and advisors across the country, under branding that is unique to each company.

These products and services complement a comprehensive selection available to Investors Group clients, including:

- **Investors Masterseries™:** 76 exclusive funds managed by Investors Group's global investment management team.
- **Partner funds:** 50 funds offered in association with AGF, Beutel Goodman, Fidelity, Goldman Sachs, Janus, Mackenzie, Sceptre and Templeton.
- **Specialty fund and other products:** including the *i*Profile™ managed asset program, Masterseries™ portfolios and *1World*™ multi-manager portfolios, segregated funds and GICs.
- **Securities services:** provided through Investors Group Securities Inc.
- **Insurance products:** from Great-West Life, Clarica, Manulife Financial, Maritime Life and Sun Life.
- **Mortgage services:** through Investors Group mortgage specialists across Canada.
- **Financial planning services:** investment, retirement, tax and estate planning advice provided through Investors Group's Consultants and specialists.

Investors Group will continue to build upon this platform to offer Consultants and clients the best overall offering of its kind in Canada.

2002 Results

While mutual fund sales in 2002 reflected weak industry conditions throughout the year, the non-mutual fund side of the business experienced strong growth in a number of areas.

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Mutual Funds

- Gross sales through Investors Group's Consultant Network were $4.9 billion in 2002, compared to $5.5 billion in 2001.
- The redemption rate on long-term funds was 10.2% in 2002 compared to 9.6% in 2001, significantly lower than the industry average.
- Net redemptions through Investors Group's Consultant Network were $109 million.

Insurance

- Sales of insurance products were up 5.6% to $32.6 million for the year.

Securities

- Assets under administration increased by 9.4% during the year.
- External assets gathered totalled $1.2 billion in 2002.

Mortgages

- Mortgage originations amounted to $702 million in 2002.

Investing in the community

While 2002 was a challenging year, Investors Group was proud to be able to maintain our commitment to the communities in which our clients live and work. Through the Investors Group Community Investment Program, we contributed more than $4.3 million to grassroots organizations and projects throughout Canada while recognizing the efforts of our Consultants and employees who volunteer their time and skills to improve the local quality of life. In honour of its long-standing commitment to philanthropy, Investors Group was named the winner of the 2002 Imagine Mutual Fund Community Investment Award at the Canadian Investment Awards Gala.

At year-end, 47% of Investors Masterseries™ mutual funds had year-end ratings from Morningstar of four or five stars, and 81% had a rating of three stars or better, both significantly higher than the Morningstar universe.

The year ahead

The short-term outlook for Investors Group will continue to be influenced by the performance of the financial markets, whose outlook remains uncertain at this time. We have great optimism, however, for the medium and longer-term prospects for our clients and our business. We will continue to concentrate on the prudent management of expenses, while working with Mackenzie and the other members of the Power Financial group of companies, such as Great-West Life and London Life, to make our respective operations more effective and efficient.

We have a clear understanding of our strengths and our competitive advantages, and are hard at work making our business even stronger.

Mackenzie led the industry

for six years and achieved more than $700 million in net sales of long-term funds.

Mackenzie Financial Corporation
Operations at a Glance

IGI

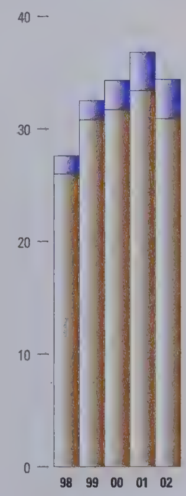
Mackenzie
MUTUAL FUNDS*

Mackenzie Financial Corporation is a multi-faceted investment management and financial services corporation founded in 1967. At December 31, 2002, Mackenzie had $34.4 billion in assets under management and administration and 1.5 million client accounts. Mackenzie mutual funds are sold through relationships with 35,000 independent financial advisors across Canada. In addition to the Mackenzie brand, funds are offered under five names: Cundill, Ivy, Keystone, Maxxum and Universal.

2002 Highlights

- At the Canadian Investment Awards Gala in December 2002, Mackenzie was named *Fund Company of the Year* by financial advisors and won seven other awards, more than any other fund company.
- During 2002, Mackenzie had more four and five star rated funds by the independent Morningstar service than any other Canadian mutual fund company.
- Innovation activity continued and will result in several new tax efficient products.
- Mackenzie had net sales of long-term funds of $700 million during the year.
- During 2002, Mackenzie Investment Management Inc., a U.S. subsidiary, was sold for CDN$95 million to Waddell & Reed Financial, Inc. of Kansas.
- M.R.S. Trust was able to provide Canadian content qualification to both Mackenzie's and Investors Group's foreign funds for registered accounts.
- A new advertising campaign was unveiled at the end of 2002 under the theme "Choose Wisely."

Assets under Management and Administration
As at December 31
($ Billions)



	98	99	00	01	02
Other Assets	1.6	1.7	2.6	3.4	3.5
Mutual Funds	26.0	30.8	31.7	33.4	30.9

James L. Hunter
President and Chief Executive Officer
Mackenzie Financial Corporation

Mackenzie
MUTUAL FUNDS*

The past three years represent one of the most difficult periods in the history of the markets and our firm. But the outstanding qualities of our team, our products and our partnerships have combined to overcome this challenge. It was a fitting close to the year in December when financial advisors named Mackenzie as *Fund Company of the Year* at the industry's Canadian Investment Awards Gala.

With equity markets down and global tensions on the rise, investor confidence is understandably low. We empathize with individual investors. As well, Mackenzie's strong and supportive relationship with independent financial advisors has never been more important. In an uncertain investment climate, the experienced and professional advice of an advisor is more important than ever.

Our comprehensive relationships with more than 35,000 independent advisors have played a large part in generating strong results relative to our competitors. These results are underpinned by our management team's focus on five principles of our business:

- Industry-leading investment performance
- Industry-leading product and service innovation
- Industry-leading sales outreach to independent financial advisors
- Industry-leading marketing, educational and service support
- Disciplined financial management

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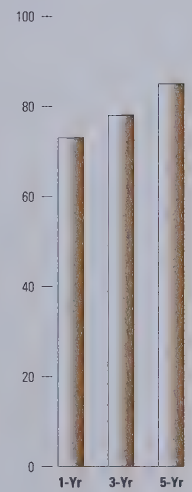
Our management team implements decisions with tremendous spirit and enthusiasm. Their diligence and integrity set us apart in the fiercely competitive marketplace.

As a result, Mackenzie is one of Canada's leading mutual fund companies focused on the independent financial advisor. Our employee team totals over 1,400 full-time people and we have $34.4 billion in assets under management and administration through 1.5 million client and institutional accounts. The feedback from the people we serve is very positive – Mackenzie won a total of eight awards at the Canadian Investment Awards Gala, more than any other company.

Fund Performance
As at December 31, 2002
(%)



73% 78% 85%

% of Assets in the 1st and 2nd Quartiles
(Source: BellCharts)

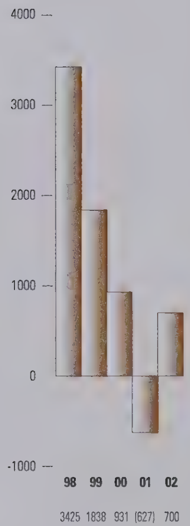
Industry-leading recognition for investment excellence helped boost Mackenzie's visibility in the marketplace relative to its competitors and led to $700-million in net sales in long-term funds at a time when the industry was in net redemptions for much of the year.

Leading Investment Performance

Mackenzie has an excellent team of fund managers. There is an abundance of objective evidence to support their quality. Eighty-five percent of the assets managed by Mackenzie were in the top half of performance for all funds over five years as of December 31, 2002. The results are equally impressive over shorter periods. During 2002, Mackenzie also had more four and five star rated funds by the independent Morningstar service than any other Canadian mutual fund company.

In addition to the strong Mackenzie brand, funds are offered through five names: Cundill, Ivy, Keystone, Maxxum and Universal. The Ivy Funds celebrated their 10th anniversary in 2002 and it was fitting that Jerry Javasky was voted Analysts' Choice Fund Manager of the Year, for a second time in four years. Alan Pasnik of the Cundill team and our Chief Investment Strategist, Fred Sturm, were also recognized for industry-leading performance in their categories. The outstanding long-term performance records of Peter Cundill, Stephen Peak and Bill Procter, as well as many others, further solidify our investment results leadership. This industry-leading recognition for investment excellence helped boost our visibility in the marketplace relative to our competitors. Most important, it led to the resurgence in net sales of profitable long-term funds at a time when the industry was in net redemptions for much of the year. Net sales of long-term funds totalled $700 million in 2002, compared to net redemptions of $627 million in 2001 (refer to Net Sales of Long-Term Funds chart on page 18). Net sales of all Mackenzie funds for 2002 totalled $288 million.

Net Sales of Long-Term Funds
($ Millions)



Strong Advisor Relationships

Mackenzie relies on independent financial advisors to recommend our product to their clients. Survey research conducted in 2002 demonstrated strong and improving relations with these advisors. In fact, Mackenzie's overall advisor satisfaction improved by 42% for 2002 over 2001. Advisor's satisfaction also increased with services from our MRS operation. Concerns regarding channel conflict issues, which arose when Investors Group acquired Mackenzie, have largely been addressed. Advisors tell us that our focused advisor wholesaler teams, our investment performance and our independent corporate leadership, are the principle reasons their support has been unwavering. Our commitment to advisor and investor education was recognized by sweeping the awards for the best programs in this area. Just as important, our back office capability continues to improve. To support our market and brand positioning, a new advertising campaign was unveiled at the end of 2002 under the theme "Choose Wisely."

Leading Product and Service Innovation

Mackenzie has a long history of developing innovative products and services. Financial advisors continue to rank Mackenzie's broad product mix as our number one competitive advantage. The year 2002 has been extremely productive in product development and will be reflected in our financial results in the years ahead. During 2002, we launched the T-Series of seven funds offering monthly cash flow with tax benefits. A bond substitute fund and an additional hedge style fund were also launched. During 2003, we expect to unveil a number of new products, including further innovations in the area of tax efficient investing. Products that are tax smart are the next frontier of investing and Mackenzie will continue as a pioneer and leader.

During 2002, we also merged 29 redundant funds, resulting primarily from the Maxxum, Industrial and Scudder integration, to reduce unitholder costs. We renegotiated a number of major sub-advisory agreements reducing rates per dollar of assets managed.

The net result of these initiatives on fiscal 2003 will be financially positive. That contribution will grow substantially beyond 2003 as launch costs are absorbed and as we build sales momentum and assets in the years ahead.

Mackenzie has a long history of developing innovative products and services. Financial advisors continue to rank Mackenzie's broad product mix as our number one competitive advantage.

IGI

Sale of U.S. Operations

We completed the sale of Mackenzie Investment Management Inc. (Mackenzie Investment) in December 2002. The decision to sell Mackenzie Investment is part of Mackenzie's strategy to focus on its core Canadian distribution operations and the needs of Canadian independent financial advisors and their clients. Proceeds of CDN$95 million from the Mackenzie Investment transaction were used to repay the bridge financing related to the acquisition of Mackenzie by Investors Group. Related to this transaction, we formed a long-term investment management alliance at industry competitive terms with the buyer of Mackenzie Investment – Waddell & Reed Financial, Inc., a leading U.S. mutual fund company based in Kansas.

In a difficult year, Mackenzie has made a strong contribution, and we have set the stage for further exciting and profitable developments.

Added Efficiencies and Profitability

Mackenzie offers trust and administrative services through M.R.S. Trust Company, Multiple Retirement Services Inc., M.R.S. Securities Services Inc. and Winfund Software Corp. The resources of this group have been utilized to lower costs and generate new profits across the broader company. For example, brokerage arrangements were renegotiated for M.R.S. Securities Services Inc. and Investors Group Securities Inc. Necessary qualifications were obtained for M.R.S. Trust Company to be able to provide Canadian content qualification to both Mackenzie's and Investors Group's foreign funds for registered accounts. Mackenzie is the first non-bank owned mutual fund company to have this capability.

Mackenzie's contribution to the group net income from operations before interest and taxes increased by $26.1 million or 13.6% on a pro forma basis.

A Tribute

It is with sadness we note the passing of Neil Lovatt in 2002, Mackenzie's former Chief Investment Officer and the Chairman of Mackenzie Investment Management Inc. Neil has left a great legacy at Mackenzie.

A Bright Future

In a difficult year, Mackenzie has made a strong contribution, and we have set the stage for further exciting and profitable developments. We intend to employ our size, the resources of our parent and sister companies within the Power Financial group of companies to compete effectively in the financial services industry in Canada in the years ahead. Combined with our talented management, employees, dealers and advisor partners, we are a company to watch.

IGI

Timeless Principles. Fundamental Strength.

Table of Contents

Forward-Looking Statements

This report includes forward-looking statements about objectives, strategies and expected financial results. These statements are inherently subject to risks and uncertainties beyond the Company's control including, but not limited to, economic and financial conditions globally, regulatory developments in Canada and elsewhere, technological developments and competition. These and other factors may cause the Company's actual performance to differ materially from that contemplated by forward-looking statements, and the reader is therefore cautioned not to place undue reliance on these statements.

Investors Group Inc.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

Net income available to common shareholders for the year ended December 31, 2002 was $491.1 million, compared to $387.7 million in 2001. Earnings per share were $1.85 compared with $1.56 in 2001, an increase of 18.5%.

Net income for the prior year ended December 31, 2001 excludes both a restructuring charge of $95.6 million ($56.0 million after tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie). It includes goodwill amortization related to Investors Group Inc.'s (Company) investment in Great-West Lifeco Inc. common shares which, if excluded to reflect accounting standards now in effect, would have resulted in an increase in earnings per share in 2002 of 17.0% compared with 2001.

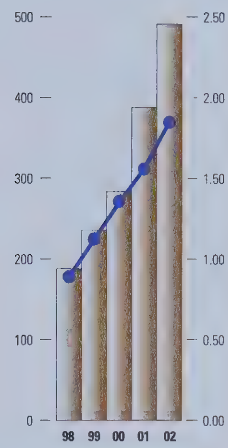
A change in accounting estimate effective April 1, 2001 related to amortization of sales commissions reduced expenses and increased earnings for the year ended December 31, 2002 by $19.8 million after tax or 7.5 cents per share. Excluding this change, earnings per share would have been $1.78, an increase of 14.0%. The Company changed the period of amortization for these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie and the industry generally.

Shareholders' equity was $2.95 billion as at December 31, 2002, up from $2.68 billion at December 31, 2001. Return on average common equity, excluding goodwill amortization and restructuring costs, was 19.2%, compared with 19.6% in 2001. The quarterly dividend per common share was increased to 22.5 cents in 2002.

The Company's reportable segments, which reflect the current organizational structure, are Investors Group, Mackenzie, and Corporate and Other. Management measures and evaluates the performance of these segments based on earnings before interest and taxes as shown in Table 1.

The Company acquired Mackenzie effective April 20, 2001. Results reflect the inclusion of Mackenzie from the date of acquisition. On October 5, 2001, the operations of Maxxum Fund Management Inc. and Maxxum Financial Services Co. (together Maxxum) were integrated with Mackenzie. Maxxum results subsequent to the integration are reported in the Mackenzie segment.

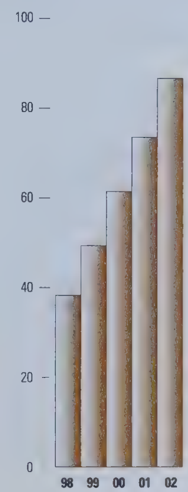
Net Income and Diluted Earnings per Share*
For the financial year
($ Millions) ($)



Net Income
188 236 284 388 491
Diluted EPS
0.89 1.12 1.35 1.56 1.85
Diluted EPS Growth %
27.7 25.4 21.0 16.0 18.5

Excluding Mackenzie goodwill amortization and restructuring costs in 2001

Dividends per Share
For the financial year
(cents)



38 49 61 73 86

Table 1: Consolidated Operating Results by Segment

($ Millions)	Investors Group 2002	Investors Group 2001	Mackenzie 2002	Mackenzie 2001	Corporate & Other 2002	Corporate & Other 2001	Total 2002	Total 2001
Fee income	**$ 1,029.6**	$ 1,091.7	**$ 783.6**	$ 535.2	**$ –**	$ –	**$ 1,813.2**	$ 1,626.9
Net investment income and other	**100.5**	76.8	**17.9**	14.4	**8.5**	42.5	**126.9**	133.7
	1,130.1	1,168.5	**801.5**	549.6	**8.5**	42.5	**1,940.1**	1,760.6
Operating expenses								
Commissions	**195.3**	278.3	**302.2**	212.4	**–**	–	**497.5**	490.7
Non-commission	**254.3**	300.3	**281.1**	203.3	**–**	–	**535.4**	503.6
	449.6	578.6	**583.3**	415.7	**–**	–	**1,032.9**	994.3
Earnings before interest and taxes	**$ 680.5**	$ 589.9	**$ 218.2**	$ 133.9	**$ 8.5**	$ 42.5	**907.2**	766.3
Interest expense							**79.5**	73.2
Restructuring costs							**–**	95.6
Income before income taxes, non-controlling interest, goodwill amortization and discontinued operations							**827.7**	597.5
Income taxes							**317.4**	252.5
							510.3	345.0
Non-controlling interest							**0.3**	0.1
Income before goodwill amortization and discontinued operations							**510.0**	344.9
Goodwill amortization, net of tax							**–**	72.0
Income before discontinued operations							**510.0**	272.9
Discontinued operations							**1.8**	0.1
Net income							**511.8**	273.0
Preferred dividends							**20.7**	13.3
Net income available to common shareholders							**$ 491.1**	$ 259.7

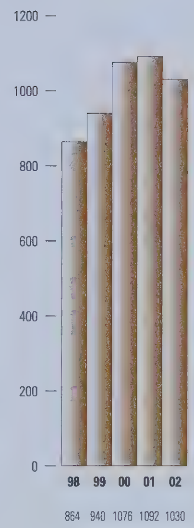
Discussion of segment operating results for Investors Group and Mackenzie is contained later in this report. Earnings before interest and taxes for Corporate and Other, the segment which represents net investment income earned on unallocated investments, totalled $8.5 million in 2002 compared to $42.5 million in 2001. Decreases in net investment income were due to financing activities related to the acquisition of Mackenzie.

Expenses reflected in Table 1 that are not allocated to segments include:

- Restructuring costs of $95.6 million, which were charged to earnings in the second quarter of 2001 and related to the acquisition of Mackenzie. The restructuring provision is discussed more fully in the Investors Group – Mackenzie Transition section later in this report.
- Interest expense of $79.5 million in 2002 and $73.2 million in 2001, which represents the cost of financing the Mackenzie acquisition.
- Income taxes with effective rates of 38.3% in 2002 compared with 42.3% in 2001. The decline in the effective rate was due to reductions in statutory tax rates as well as other tax benefits.

Investors Group

Fee Income – Investors Group
For the financial year
($ Millions)



REVIEW OF THE BUSINESS

Investors Group's core business is to provide a comprehensive array of financial and investment planning services to Canadians through its network of highly trained and well-supported Consultants.

Investors Group earns revenue primarily from management fees for advising and managing its mutual funds, fees charged to its mutual funds for administrative and trustee services, and distribution fees charged to account holders for the distribution of its mutual funds by Investors Group's Consultants. Fee income is also earned from the distribution of insurance products and securities services. Additional revenue is derived from mortgage operations and investment certificate operations.

Revenues depend largely on the value and composition of assets under management. Fluctuations in financial markets can affect revenues and operating results. By offering a broad range of products and services to meet the varied needs and objectives of individual clients, management believes that the base of assets under management is secure and able to withstand downward pressure on revenue caused by market volatility. The effectiveness of this approach has been demonstrated by consistent levels of sales over the long-term and by redemption rates for Investors Group's mutual funds that are among the lowest in the industry.

Segment Strategy

Investors Group continually reviews its strategy to ensure that it is appropriate for both the current financial services environment and any anticipated changes that would affect the industry. Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business model embraces current trends in the Canadian financial services industry and, as a consequence, its strategic plan continues to focus on three key themes:

1. Emphasizing the delivery of financial planning advice, products and services through its dedicated network of highly trained and well-supported professional Consultants.
2. Extending the diversity and range of products offered by Investors Group to continue to compete effectively by meeting the changing needs of its broad spectrum of clients.
3. Maximizing returns on business investment by:
   - Capitalizing on economies of scale through its relationship with Mackenzie, Great-West Lifeco Inc., and London Insurance Group Inc.
   - Controlling expenditures through the management of staffing levels, improved productivity, effective and continual investments in technology, and the management of discretionary expenses.
   - Directing resources to initiatives that have direct benefits to clients and Consultants.

Core Business

CONSULTANTS

Investors Group continues to distinguish itself from its competition by offering personal, long-term financial planning to clients. At the centre of this relationship is a national distribution network of highly skilled and professional Consultants working from 107 Financial Planning Centres located coast-to-coast across Canada.

There is constant focus on growth through both the retention of existing Consultants and the attraction of new and experienced industry professionals. This is accomplished through the offering of a comprehensive and contemporary financial planning practice support platform and the growing recognition of its flexibility and value. Management believes that it is effectively responding to the increasingly competitive recruiting environment through adjustments to compensation levels and rewards and recognition programs. As well, Investors Group has focused on career training and has taken important steps in offering increased access, flexibility and choice in personal business support.

As a result, Investors Group is confident that qualified individuals seeking a career in the financial planning industry, in both urban and rural settings, will continue to find Investors Group to be the most attractive overall offering in the industry. During the latter part of 2002, Investors Group enjoyed an escalation of individuals joining as new Consultants which has continued into the early part of 2003.

In 2002, Investors Group continued to enhance existing programs so that Consultants meet and exceed their client service commitment. These programs include policies and training on business standards, product and planning specialists providing advanced levels of support, technology enhancements and new products and services. Each is integrated to ensure that all clients receive a high level of personal service and have confidence in achieving their unique financial goals.

Recruiting and retention

Investors Group combines a number of proven interview and testing techniques to identify high quality people who demonstrate a blend of experience, education and aptitude that makes them well suited to a career in financial planning. This approach, coupled with increased recruitment focus and incentives, has resulted in strong second half recruitment versus 2001.

At the end of 2002, Investors Group had 3,324 Consultants, compared with 3,409 in 2001. The percentage of Consultants with more than four years experience – those who have successfully established their practice with Investors Group – continued to increase, climbing to 60.9% from 59.2% a year earlier.

Career development

Management continues to focus on development of the financial planning industry's premier career development system. Each year curricula are reviewed and refreshed to offer all Consultants the essential building blocks they require to develop their individual businesses.

Consultants begin their careers at Investors Group by attending *Career Training 1* – a program designed to combine technical education with field experience. This program involves multiple weeks of full-time study in all aspects of establishing a financial planning practice. As Consultants progress, they further develop their skills as financial planners by attending a selection of focused educational programs including sales skills, client service, technology, product knowledge, practice management and more. Throughout the year, Investors Group also offers a series of advanced educational conferences for qualifying Consultants that feature industry-leading Company and external professionals.

As well, supplemental training, coaching and mentorship are foremost among the responsibilities of the Consultant Network's Regional Directors and Associate Regional Directors based in field offices across Canada. This shared partnership between the

Investors Group Institute and the local field offices in the development of the national Consultant Network is further evidence of management's emphasis on a prudent, complete and skilled financial planning service for clients.

In addition to internal education programs, Investors Group supports industry initiatives to introduce uniform qualification requirements for use of the "financial planner" designation. Investors Group encourages enrolment and has established a policy that requires Consultants to achieve their CFP designation, or the equivalent in the province of Quebec, by the end of their fifth year with Investors Group.

Productivity

Investors Group continues to emphasize the importance of building productivity through a number of corporate initiatives. In 2002, Investors Group:

- Offered multiple levels of practice management education to Consultants focusing on client service, team organization, and business planning techniques.
- Continued to enhance the Investors Group Advantage™ technology platform. Plans were announced to upgrade the Consultant hardware, system software and maintenance package in 2003 providing additional capabilities and throughput.
- Reviewed Consultant and field management rewards and recognition programs and refined them to provide incentives and rewards for key activities and results.
- Announced a banking relationship with National Bank of Canada (National Bank) that will enhance the overall product and service offering and the depth of client relationships.

PRODUCTS AND SERVICES

One of Investors Group's major objectives is to provide clients with an extensive range of financial products and services to help them achieve their financial goals. Over the past several years, many strategic additions to the product shelf have enabled Investors Group Consultants to deliver a well-tailored asset allocation solution that meets the individual portfolio and investment needs of each client.

Mutual funds

Investors Group is committed to enhancing the scope and diversity of investment products for its clients thereby ensuring Consultants have a complete product offering to help clients create comprehensive financial plans. Discussion of mutual fund activity in 2002 compared with 2001 is presented in the Investors Group Review of Segment Operating Results.

Investment management

Investors Group is Canada's largest mutual fund manager with over $37 billion in mutual fund assets under management in 140 mutual funds that cover a full range of investment mandates.

Through an in-house team of investment professionals and relationships with external investment advisors, Investors Group provides clients with access to a wide range of investment advisory services. Clients can take advantage of the opportunity to diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through well-diversified portfolios customized to meet their objectives.

Investors Masterseries™ funds

Investors Masterseries™ funds are managed by a multi-disciplinary team of investment professionals with offices and advisors throughout North America, Europe, and Asia. This global reach, coupled with over 50 years of experience, provides the depth and breadth of investment management capabilities to offer clients world class money management expertise for every investment objective.

The Investors Masterseries™ family of unincorporated unit trust funds total 48 and include money market, fixed income, balanced, domestic and international equity, global and sector products. As at December 31, 2002, total assets related to these funds were $32.3 billion and represented 86.0% of the total Investors Group mutual fund assets under management compared to 86.4% one year ago.

In 2002, 28 new funds were added to the Investors Masterseries™ line up in connection with the launch of Investors Group Corporate Class Inc. (discussed below). In order to take advantage of global investment opportunities and leverage the in-house team of global investment professionals, six new mandates were introduced and include: Investors U.S. Small Cap Class; Investors International Small Cap Class; Investors Global Consumer Companies Class; Investors Global Health Care Class; Investors Global Infrastructure Class; and Investors Global Natural Resources Class.

Partner funds

Over the years, an important element of Investors Group's strategic mutual fund expansion has been the introduction of a number of new proprietary funds offering a range of investment advisory services through relationships with other investment management firms.

In 2002, Investors Group continued its relationships with highly regarded investment managers Mackenzie Financial Corporation, AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, Janus Capital Management LLC, and Sceptre Investment Counsel Limited – some of whom have been providing investment advisory services to partner funds since 1996. In 2002, the investment mandates of three funds previously sub-advised by Scudder Kemper Investments Inc. were transferred to Mackenzie and one fund mandate was transferred from Scudder Kemper Investments Inc. to Goldman Sachs Asset Management.

Investors Group's investment management function oversees external advisors and ensures that their activities are consistent with its investment philosophy and with the stated fund investment objectives and strategies.

At December 31, 2002, partner funds totalled $4.8 billion or 12.7% of Investors Group's mutual fund assets under management. Of this amount, Mackenzie currently provides investment advisory services for five funds with total assets of $894 million. Investors Group continuously examines additional opportunities for new relationships with external parties.

Investors Group Corporate Class Inc.

On October 24, 2002, Investors Group launched Investors Group Corporate Class Inc., Canada's largest tax advantaged fund structure featuring fee-free tax deferred switching among 46 brand-name funds. The funds include 28 of Investors Group's own Masterseries™ funds advised by I.G. Investment Management, as well as funds advised by AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, Janus Capital Management LLC, Mackenzie, and Sceptre Investment Counsel Limited.

Investors Group Corporate Class Inc. provides clients with the flexibility to rebalance their non-registered, equity portfolios in accordance with their changing investment needs across global market sectors, as well as investment management brands, without incurring additional fees or immediate tax consequences. Eight of the Corporate Class funds, including six global sector funds, which provide Investors Group clients with an additional way of diversifying their portfolio, are new mandates in the structure and will be advised by I.G. Investment Management and Mackenzie.

Investors Group Consultants have always provided extensive tax planning services and now have access to an even broader set of tax planning solutions.

Managed asset and multi-manager investment programs

Investors Group believes strongly in the value of providing portfolio-based solutions. It has an array of investment management programs that provide a comprehensive, packaged approach to client portfolio management.

Through its managed asset and multi-manager offerings, Investors Group provides clients with access to a growing selection of asset allocation opportunities directed by the world's leading money-management firms. These programs include:

- Masterseries™ Portfolios – a proprietary based set of funds which provide clients with one stop diversification to meet their needs. The program is comprised of eight funds which invest in 21 underlying Masterseries™ funds. Assets as at December 31, 2002 were $5.8 billion, making this one of the largest programs of its kind in Canada.
- 1World™ Portfolios – a single step investment solution offering geographic, investment style and asset class diversification. The 1World™ Portfolios include Investors Masterseries™ and partner funds. These funds, launched in 2001, had attracted $337 million in assets at December 31, 2002.
- *i*Profile™ managed asset program – a unique portfolio management program introduced in 2001 for clients with assets over $250,000. The program is advised by a select group of 13 globally renowned money management firms such as Goldman Sachs Asset Management, Alliance Bernstein Investment Management, Jarislowsky Fraser Limited and I.G. Investment Management. By the end of 2002, this program had attracted $350 million in assets. *i*Profile™ investment portfolios have been expertly designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions.

Segregated funds

A segregated fund is an insurance product, although it has many characteristics similar to mutual funds. To address this expanding market, Investors Group offers eight segregated funds that are distributed solely by Investors Group Consultants. These funds offer two levels of guarantees – 75% and 100% of the principal invested. The investment component of these products is managed by Investors Group while the insurance component is underwritten by The Great-West Life Assurance Company (Great-West).

Insurance

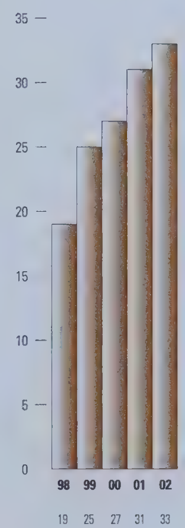
Investors Group continues to be a leader in the distribution of life insurance in Canada and to seek opportunities to expand the scope of insurance products available to Investors Group clients.

Through its arrangements with leading insurance companies, Investors Group offers a comprehensive range of term, universal life, whole life, disability, critical illness, long-term care, personal healthcare coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

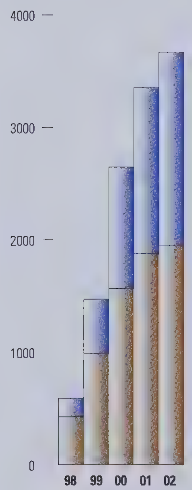
- The Great-West Life Assurance Company
- The Maritime Life Assurance Company
- Sun Life Assurance Company of Canada
- Clarica Life Insurance Company
- The Manufacturers Life Insurance Company (Manulife)

During 2002, sales of insurance products, measured on the basis of annualized premiums, increased 5.6% to $32.6 million. This was the highest level of insurance sales in Investors Group's history. Both new policies sold and total face amount of insurance in force increased during 2002. The average number of policies sold per Consultant was 7.9 in 2002, consistent with 8.1 in the prior year. The average number of Consultants who maintained insurance licenses represented 91% of the Consultant Network in 2002, unchanged from 2001. Distribution of insurance products is enhanced through 40 insurance specialists. Located in regional offices, these specialists assist Consultants with the selection of appropriate insurance solutions for clients.

Insurance Sales
For the financial year
($ Millions)

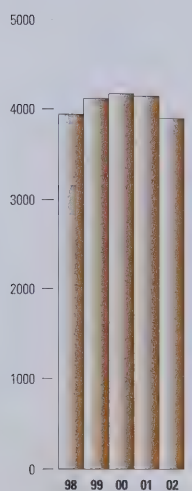


Investors Group Securities Inc. Assets under Administration
As at December 31
($ Millions)



	98	99	00	01	02
IG Mutual Funds	164	483	1080	1477	1715
Other Assets	426	988	1566	1876	1952

Mortgages Serviced for Investors Group Clients
As at December 31
($ Millions)



98	99	00	01	02
3945	4119	4174	4143	3894

Securities operations

Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broad product shelf in combination with financial and investment planning. Investors Group Consultants can refer high net worth clients to one of the 24 securities specialists available through Investors Group Securities Inc.

During 2002, assets under administration in Investors Group Securities Inc. grew by 9.4% to reach $3.7 billion. The number of clients using this service continued to grow – over 56,000 clients used Investors Group Securities Inc. in 2002, an increase of 15.1% over 2001. At year-end, 90% of Consultants had referred clients who maintained accounts with Investors Group Securities Inc., the same as in the prior year. The assets gathered by Investors Group Securities Inc. during 2002 were $1.2 billion, unchanged from 2001.

Management believes that by continuing to develop and enhance its securities operations, Investors Group will also continue to attract and retain high quality Consultants, deepen relationships with clients and appeal to a growing segment of sophisticated and knowledgeable investors.

Mortgage operations

Investors Group Consultants play an integral role in sourcing high-quality residential mortgages. Through their close involvement in the development of clients' financial strategies, Consultants are able to refer clients to Investors Group mortgage planning specialists. At December 31, 2002, Investors Group employed 46 specialists who originate mortgages in key residential markets.

Investors Group continues to focus its mortgage operations on its existing client base. Mortgage originations in 2002 were $702 million compared to $936 million in 2001. The proportion of residential mortgages sourced with the assistance of Consultants has increased to 88% in 2002 from 85% in 2001. While most of these new mortgages were sold to third parties through Investors Group's mortgage banking operation, the servicing of these mortgages continues to be provided by Investors Group.

Investors Group mortgage operations also provide both origination and servicing to:

- Investors Mortgage Fund which, because of its size, requires a steady stream of high-quality mortgages.
- Investors Group Trust Co. Ltd. and The Trust Company of London Life, both subsidiaries of the Company.
- Investors Syndicate Limited, an investment certificate subsidiary.
- London Life Insurance Company (London Life), a subsidiary of Great-West Lifeco Inc.

Additional products and services

Investors Group continues to look for ways to broaden its reach in the Canadian marketplace. On November 6, 2002, Investors Group and affiliates Great-West Life and London Life announced the signing of a definitive agreement with National Bank to deliver banking products and services through their respective distribution networks. The range of products will include investment loans, lines of credit, deposit accounts and credit cards under branding unique to the distributors.

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd. and a range of other financial institutions. Other products and services offered include annuities and loans for registered investments.

REVIEW OF SEGMENT OPERATING RESULTS

Investors Group's earnings from operations before interest and taxes for the year ended December 31, 2002 compared with 2001 are presented in Table 2.

Table 2: Operating Results – Investors Group

($ Millions)	2002	2001	Change
Fee and net investment income			
Management	**$ 787.4**	$ 849.5	(7.3)%
Administration	**148.6**	149.4	(0.5)
Distribution	**93.6**	92.8	0.9
Net investment income and other	**100.5**	76.8	30.9
	1,130.1	1,168.5	(3.3)
Operating expenses			
Commissions	**195.3**	278.3	(29.8)
Non-commission	**254.3**	300.3	(15.3)
	449.6	578.6	(22.3)
Earnings before interest and taxes	**$ 680.5**	$ 589.9	15.4 %

Fee Income

Fee income is generated from the management, administration and distribution of 140 Investors Masterseries™, partner and managed asset investment funds. Prior year fee income was also generated on the 47 mutual funds offered by Maxxum until October 5, 2001, at which time the operations of Maxxum were transferred to Mackenzie. The distribution of insurance products and the provision of securities services provide additional fee income.

Fee income represented 91.1% of gross revenue in 2002, compared with 93.4% in 2001. Total fee income declined by $62.1 million to $1,029.6 million, a decrease of 5.7% from 2001 results. To provide a stable level of fee income, Investors Group must continue to maintain high levels of assets under management. The level of assets under management is influenced by four factors: sales, redemption rates, capital markets and relative investment performance. The changes in assets under management in 2002 compared with 2001 are summarized in Table 3.

For the year ended December 31, 2002, sales of Investors Group mutual funds sold through its Consultant Network were $4.92 billion, a decrease of 10.9% from 2001. This compares to an overall industry decrease in mutual fund sales of 9.6%. Mutual fund redemptions totalled $5.02 billion for the same period, an increase of 7.3% from the $4.68 billion recorded in 2001. Investors Group's redemption rate increased to 12.6% in 2002 from 11.6% in 2001, continuing to be among the lowest in the industry. Net redemptions of Investors Group mutual funds were $109 million in 2002 compared with net sales of $837 million in 2001. Sales of long-term funds (excluding money market funds) were $3.86 billion in 2002, compared with $4.29 billion in 2001, a decrease of 10.0%. Net redemptions of long-term funds were $76 million compared to net sales of $515 million in 2001. Investment management services provided reasonable levels of returns throughout a period in which markets continued to be both weak and very volatile.

Table 3: Change in Mutual Fund Assets Under Management – Investors Group

($ millions)	2002	2001	Change
Investors Group Consultant Network			
Sales			
Investors Masterseries™	**$ 4,086.7**	$ 4,572.4	(10.6)%
Partner funds	**710.2**	852.1	(16.7)
*i*Profile™ funds	**76.2**	95.3	(20.0)
Investors Group Corporate Class Inc.	**42.7**	–	N/A
	4,915.8	5,519.8	(10.9)
Redemptions	**5,024.4**	4,683.2	7.3
Net sales	**$ (108.6)**	$ 836.6	(113.0)%
Maxxum Channel[1]			
Sales	**$ –**	$ 507.2	(100.0)%
Redemptions	**–**	313.2	(100.0)
Net sales	**$ –**	$ 194.0	(100.0)%
Combined			
Sales	**$ 4,915.8**	$ 6,027.0	(18.4)%
Redemptions	**5,024.4**	4,996.4	0.6
Net sales	**(108.6)**	1,030.6	(110.5)
Market and income	**(3,947.3)**	(1,670.4)	(136.3)
Transfer of Maxxum to Mackenzie	**–**	(2,214.6)	100.0
Net change in assets	**(4,055.9)**	(2,854.4)	(42.1)
Beginning assets	**41,644.0**	44,498.4	(6.4)
Ending assets	**$ 37,588.1**	$ 41,644.0	(9.7)%
Consist of:			
Investors Masterseries™	**$ 32,324.6**	$ 35,986.3	(10.2)%
Partner funds	**4,771.0**	5,413.2	(11.9)
*i*Profile™ funds	**349.9**	244.5	43.1
Investors Group Corporate Class Inc.	**142.6**	–	N/A
	$ 37,588.1	$ 41,644.0	(9.7)%
Average assets	**$ 39,773.9**	$ 42,874.8	(7.2)%

[1] includes Maxxum results to September 30, 2001. Subsequent activity was reported by Mackenzie as a result of the integration of Maxxum into Mackenzie effective October 5, 2001.

Investors Group earns management fees for investment management services provided to its mutual funds. In 2002, management fee income decreased by $62.1 million or 7.3% to $787.4 million. This decrease reflects the decline of 7.2% in average mutual fund assets in 2002 resulting from negative market action, the transfer of Maxxum operations to Mackenzie effective October 5, 2001, and net redemptions.

Investors Group earns administration fees for providing:

- Administrative services to its mutual funds through its subsidiaries.
- Trusteeship services to its mutual funds through Investors Group Trust Co. Ltd.

Administration fees totalled $148.6 million in 2002, down slightly from $149.4 million in 2001. Fees charged to the mutual funds for administrative services were unchanged in 2002. Trustee fees declined due to reduced average mutual fund assets during the year.

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds, excluding money market funds.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Provision of securities services through Investors Group Securities Inc.

Distribution fee income was $93.6 million in 2002 compared with $92.8 million in 2001. Fee income on the distribution of insurance and brokerage products increased by 6.8% in 2002. This increase was offset by reductions in redemption fee income resulting from the transfer of Maxxum to Mackenzie in 2001.

Net Investment Income and Other

Net investment income and other includes interest and dividends earned on cash and short-term investments, marketable securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of an affiliate's earnings as well as income related to mortgage banking activities. Investors Group measures net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt, but excludes interest expense on debt incurred to finance its acquisition of Mackenzie.

Net investment income and other totalled $100.5 million, which was an increase of 30.9% from $76.8 million in 2001. The increase is due principally to the increase in Investors Group's share of an affiliate's earnings.

Operating Expenses

Expenses reflect the cost of doing business for Investors Group and are made up of two major components: commission and non-commission expenses as shown in Table 4.

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and, as a result, commission expense will fluctuate with the level of sales. Commission expense in 2002 decreased by $83.0 million, or 29.8%, to $195.3 million compared with $278.3 million in 2001. The decrease in commission expense was related to:

- A change in accounting estimate, effective April 1, 2001, related to the amortization of selling commissions on the sale of Investors Group's mutual funds.
- The transfer of Maxxum operations to Mackenzie in October 2001 which reduced commission and asset retention bonus expenses in 2002.
- Lower average mutual fund assets under management which resulted in lower asset retention bonus expense.
- Lower mutual fund sales in 2002.

Table 4: Operating Expenses – Investors Group

($ Millions)	2002	2001	Change
Commissions	**$ 195.3**	$ 278.3	(29.8)%
Non-commission			
Fixed	**194.1**	218.4	(11.1)
Variable	**60.2**	77.7	(22.5)
Strategic initiatives	**–**	4.2	(100.0)
	254.3	300.3	(15.3)
Total	**$ 449.6**	$ 578.6	(22.3)%

Non-commission expenses encompass all of the other costs Investors Group incurs in operating its business. They include variable costs, fixed costs and strategic initiative expenditures.

Non-commission expenses totalled $254.3 million in 2002 compared with $300.3 million in the prior year, representing a decrease of $46.0 million, or 15.3%. Excluding strategic initiative costs of $4.2 million in 2001, non-commission expenses declined by $41.8 million in 2002 or 14.1%. Variable costs declined by 22.5% to $60.2 million and fixed costs decreased by 11.1% to $194.1 million.

Variable expenses fluctuate with the level of sales, the number of Consultants and clients, and the level of assets under management and administration. They include variable compensation, distribution support costs and costs of investment advisory services. In addition to the impact of these factors on variable expenses, the decrease in costs in 2002 was also due in large part to the transfer of Maxxum operations to Mackenzie effective October 5, 2001.

The decrease in fixed costs in 2002 resulted from:

- The transfer of Maxxum operations to Mackenzie effective October 5, 2001.
- The impact of synergies related to the transition work completed to date with Mackenzie.
- Management of discretionary expenses.
- Improvements in productivity and the benefits derived from continued investment in technology.

Mackenzie

REVIEW OF THE BUSINESS

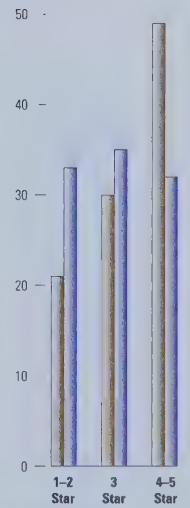
Mackenzie is a multi-faceted investment management and financial services organization whose core business is the management of mutual funds on behalf of investors across Canada.

Asset Management Operations

In 2002, the TSX decreased 14% to 6614.50, an annual level last seen on December 31, 1997. The Standard & Poor's 500 Composite Total Return Index declined for the third consecutive year, an event that has happened only twice before in the past 80 years. Despite overall economic conditions, Mackenzie gained market share during 2002 and finished the year with $30.9 billion in mutual fund assets under management. Net sales of funds were $288 million for the year ended December 31 2002, compared with net sales of $280 million during 2001.

Mackenzie's investment managers continue to outperform most of their industry peers, which is a key factor in relative industry sales strength. When investors consider their retirement needs, they inevitably return to the capital markets for superior long-term real rates of return. Recent market research indicates that investors have adopted a more prudent approach and more realistic expectations for their rate of return. Such an attitude fits well with the high quality long-term style of funds offered by Mackenzie.

Morningstar Ratings – Mackenzie
As at December 31, 2002
(% of Funds)*



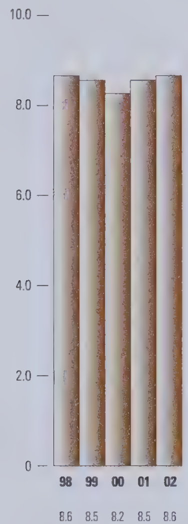
	1–2 Star	3 Star	4–5 Star
Mackenzie Funds	21%	30%	49%
All Morningstar-Rated Funds	33%	35%	32%

*of Mackenzie funds rated by Morningstar
(Source-Morningstar)

As of December 31, 2002 Mackenzie offered 149 mutual funds and 39 segregated funds held by over 1.5 million clients. In addition to the strong Mackenzie brand, funds fall under five key family names: Cundill, Ivy, Keystone, Maxxum and Universal. Different investment styles prevail from time to time but Mackenzie is committed to offering top quality investment products in any market climate. Mackenzie offers a great depth and breadth of product and employs leading management teams worldwide. In repeated surveys, financial advisors rank Mackenzie's broad product mix as Mackenzie's #1 competitive advantage.

A prime example of Mackenzie's quality fund management is found in Jerry Javasky, selected as the recipient of the 2002 Analysts' Choice Fund Manager of the Year Award. Jerry Javasky heads the investment team managing Ivy Canadian Fund, Ivy Growth & Income Fund, Ivy Foreign Equity Fund, Ivy Global Balanced Fund (winner of the 2002 Analysts' Choice Award Global Balanced Fund) and Ivy European Fund. Ivy managers have a presence in 1.1 million Mackenzie accounts, and manage $13.5 billion in assets as of the end of 2002.

Market Share of Long-Term Mutual Fund Assets
As at December 31
(%)



(Source: IFIC)

Over the past year, Mackenzie built on this strength by simplifying its product line, consolidating funds with similar or duplicate mandates while at the same time enhancing the strength of existing products.

To achieve this streamlining, Mackenzie merged 29 mutual funds this year. Many of these funds were portfolios that offered similar or identical mandates to each other. The decision was taken in 2002 to retire the Industrial Group of Funds brand, with these funds being merged into others. In all cases, these mergers were achieved with no increase in fees, no additional costs to unitholders, and no tax implications for those investors who made an election under Section 85 of The Income Tax Act. Mackenzie also renegotiated a number of major sub-advisory agreements during the year, reducing rates per dollar of assets managed.

Mackenzie also made several changes to existing funds. Through a series of product changes, a broader range of equity and balanced products was introduced under the Maxxum brand, which had been transferred to Mackenzie from Investors Group. Fixed income product offerings under the Mackenzie name were enhanced, through the re-branding of Mackenzie Short Term Bond Fund. Mackenzie also launched Ivy European Capital Class, Universal American Growth Capital Class and Ivy RSP Global Balanced Fund in 2002.

During the year, Mackenzie also built on the strength of the Capital Class funds structure, introducing Mackenzie Managed Return Capital Class. This unique product offers investors a tax-advantaged alternative to a bond fund. This fund is expected to play an important financial planning role for investors wishing to add a fixed income component to their investment portfolio. As part of the Capital Class structure, the fund offers investors the flexibility to switch between 38 funds, with the added ability to avoid realizing a capital gain while their assets remain in the corporate structure.

In March of 2002, Mackenzie introduced the T-Series units on seven leading balanced funds. The T-Series provides investors with stable monthly cash flow that allows for the potential of some tax deferral. T-Series is ideally suited for conservative, tax-sensitive investors requiring steady monthly cash flows. The Mackenzie T-Series acts like a systematic withdrawal plan for the investor, providing monthly cash flow but without initiating any taxable gain until the funds are sold.

Mackenzie's venture capital partner, VenGrowth, launched two funds for the national market. This launch made VenGrowth Canada's largest national retail venture capital firm. Also as a result, Mackenzie wholesalers from coast to coast are able to offer these products for the benefit of advisors and investors.

One of Mackenzie's competitive advantages has been industry leading product and service innovation. Technical work has been completed on two major innovations that we expect to be meaningful for the industry in the years ahead. The first is targeted at further improving the tax efficiency of mutual funds relative to holdings of an individual portfolio of securities. Several new products and services using this technology will be introduced in 2003. These products will enhance the effectiveness of Mackenzie Capital Class Funds that were recently rated by an independent analyst as among the most tax efficient in the industry.

Secondly, a long-term project has been completed whereby M.R.S. Trust was able to provide Canadian content qualification to both Mackenzie's and Investors Group's foreign funds for registered accounts. Mackenzie is the first non-bank owned fund company to be able to produce its own clone funds.

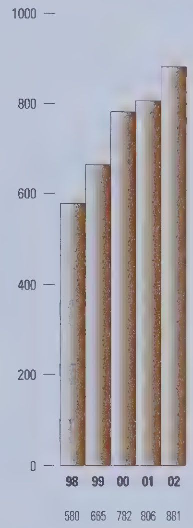
Dealer, Trust and Administration Services

The MRS Group of Companies (MRS Group) provides mutual and segregated fund dealers, financial advisors and their respective clients with a broad array of products and services to heighten their competitive advantage and scale in the financial services marketplace.

Multiple Retirement Services Inc. is the largest mutual fund carrying dealer in Canada and a Mutual Fund Dealers Association of Canada member firm. M.R.S. Securities Services Inc. is a boutique carrier for investment dealers, a discount broker and an Investment Dealers Association of Canada member firm. Winfund Software Corp. is the largest and fastest growing provider of software to Canadian mutual fund dealers. Federally regulated M.R.S. Trust provides loan, deposit and selected trustee and custodial services to complete the comprehensive MRS Group offering. Intra-corporately, in 2002 M.R.S. Trust has also assumed responsibility for a portion of the Mackenzie mutual fund RRSP Clone counterparty activity, and registered plan trusteeship for Investors Group Securities Inc.

Collectively, the MRS Group offers more choice of operational, software or web-based service solutions and products to mutual and segregated fund distributors than any other supplier in the Canadian marketplace. In business for over 20 years, the MRS Group employs more than 400 people, has over $18 billion in client assets under administration, and services more than 800,000 investor accounts. MRS Group success ensures a stronger and more competitive market for segregated and mutual fund distribution, with collateral benefit to Mackenzie.

MRS Group Investor Accounts Under Administration
As at December 31
(Thousands)



United States Operations

Following a strategic review initiated in 2001, Mackenzie also completed the US$70 million sale in December 2002 of its US subsidiary, Mackenzie Investment Management Inc. (Mackenzie Investment), to Waddell & Reed Financial, Inc. (Waddell & Reed), a leading mutual fund company in the United States. Mackenzie Investment shareholders received an attractive all-cash price of US$4.05 per share. Proceeds of CDN$94.7 million from the Mackenzie Investment transaction were used to repay bridge financing incurred on the acquisition of Mackenzie by Investors Group Inc.

Following the completion of this transaction, Mackenzie appointed Waddell & Reed to act as sub-advisor to a number of funds, including Universal Select Managers Fund, Universal Select Managers Capital Class, Universal Select Managers USA Capital Class, Universal U.S. Blue Chip Fund, Universal U.S. Blue Chip Capital Class, Universal World Income RRSP Fund, and a portion of Mackenzie Yield Advantage Fund. Waddell & Reed are highly respected for their consistent results as asset managers, and are rated by both Lipper and Barron's as one of the top ten mutual fund families in the United States over five and ten-year periods.

Successful Affiliate Relationships

A considerable amount of time and effort has been devoted to Mackenzie's new role as a member of the Power Financial Corporation group of companies. There is opportunity to improve customer service, enhance advisor support, expand distribution and lower costs. All of these are being realized. As an example, the Mackenzie and Great West Life data centres were combined to improve cost and service efficiency. The data centre is now managed as a shared service.

Assets Under Management and Administration

Mackenzie's mutual fund assets under management were $30.9 billion at December 31, 2002, a decrease of 7.6% from $33.4 billion as at December 31, 2001. During the year ended December 31, 2002, sales of Mackenzie's mutual funds were $6.0 billion, an increase of 9.6% from 2001. Net sales were $288 million for the year ended December 31, 2002, compared with net sales of $280 million in 2001.

Market performance negatively impacted mutual fund assets by $2.8 billion during the year, as compared to $832 million in 2001. Mackenzie's average mutual fund assets under management for the year ended December 31, 2002 were $32.3 billion, as compared to $31.2 billion in the previous year. On October 5, 2001 Investors Group transferred the Maxxum operations to Mackenzie. Maxxum's $2.2 billion of mutual fund assets under management have been included in Mackenzie's average mutual fund assets from that date.

Despite the decline in assets under management from the beginning of the year, there has been a positive shift in the mix of sales towards long-term mutual funds, primarily a result of favourable contributions from Mackenzie's value-oriented funds in the Ivy and Cundill families. Sales of long-term funds (excluding money market and Managed Yield funds) were $4.3 billion in 2002 compared with $2.8 billion in 2001, an increase of 55.4%. Net sales of long-term funds were $700 million in 2002, as compared to net redemptions of $627 million in the previous year.

The strong relative performance of Mackenzie's mutual funds has contributed to this improvement. In December 2002, Mackenzie again earned the top spot in Morningstar rankings for offering the most five-star funds of any fund company in Canada, a position Mackenzie held throughout 2002. Morningstar's Star Ratings are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category, of which the top 10 per cent of the funds in each category get a five-star rating.

In addition to its mutual fund business, an important component of Mackenzie's operations is the provision of investment management, administration and distribution services for other investment products. As at December 31, 2002, Mackenzie had $130 million in segregated funds; provided investment management services to private and institutional accounts with assets of $2.4 billion; and provided administration and distribution services to venture capital funds with $0.9 billion in net assets.

Table 5: Changes in Assets Under Management and Administration – Mackenzie

($ Millions)	2002	2001	Change
Mutual Funds[1]			
Sales	**$ 5,998.0**	$ 5,474.8	9.6 %
Redemptions	**5,709.9**	5,194.4	9.9
Net sales	**288.1**	280.4	2.7
Market and income	**(2,827.6)**	(832.1)	(239.8)
Transfer of Maxxum from Investors Group	**–**	2,214.6	(100.0)
Net change in assets	**(2,539.5)**	1,662.9	(252.7)
Beginning assets	**33,399.6**	31,736.7	5.2
Ending assets	**30,860.1**	33,399.6	(7.6)
Private and Institutional Clients	**2,425.1**	2,378.4	2.0
Segregated Funds	**130.0**	88.2	47.4
Labour Sponsored Funds	**946.7**	889.7	6.4
	$ 34,361.9	$ 36,755.9	(6.5)%
Average mutual fund assets	**$ 32,277.7**	$ 31,170.1	3.6 %

[1] Includes Maxxum results effective October 1, 2001.

REVIEW OF SEGMENT OPERATING RESULTS

Mackenzie's earnings from operations before interest and taxes for the year ended December 31, 2002 are presented in Table 6. Mackenzie's operating results have been consolidated with the Company's results from the date of acquisition. To provide a more informative analysis of Mackenzie's results, pro forma operating results for the year ended December 31, 2001 have been presented. On December 16, 2002, Mackenzie sold its majority-owned subsidiary, Mackenzie Investment, to Waddell & Reed. The results of Mackenzie Investment have been treated as discontinued operations, hence are not included in the operating results presented below.

Table 6: Operating Results – Mackenzie

($ Millions)	2002	Pro forma 2001	Change
Fee and net investment income			
Management	**$ 592.6**	$ 592.5	– %
Administration	**146.7**	145.1	1.1
Distribution	**44.3**	47.8	(7.3)
Net investment income and other	**17.9**	21.6	(17.1)
	801.5	807.0	(0.7)
Operating expenses			
Commissions	**153.2**	164.6	(6.9)
Trailer fees	**149.0**	144.8	2.9
Non-commission expenses	**281.1**	305.5	(8.0)
	583.3	614.9	(5.1)
Earnings before interest and taxes	**$ 218.2**	$ 192.1	13.6 %

Fee and Net Investment Income

Management fees were $592.6 million for the year ended December 31, 2002. Despite the increase in average mutual fund assets under management, management fees remained unchanged from 2001 due to a decline in the average management fee rate, a result of an increase in the percentage of assets in money market and fixed income funds.

Administration fees include the following main components: operating expenses charged to funds; fees earned from administering the VenGrowth labour sponsored venture capital funds; and trustee and other administration fees generated from the MRS Group account administration business. Administration fees increased by $1.6 million to $146.7 million in 2002 from $145.1 million in 2001.

Distribution revenue, which represents redemption fees earned on units of mutual funds sold on a deferred sales charge basis for which Mackenzie was the primary distributor, decreased $3.5 million to $44.3 million in 2002 from $47.8 million in the previous year. Although the level of mutual fund redemptions increased in 2002 as compared to 2001, distribution revenue declined because there was an increase in the value of redeemed units which are no longer subject to a redemption fee, coupled with the continuing decline in the redemption charge scale.

Net investment income and other represents the net interest margin from the M.R.S. Trust lending and deposit operations. Net investment income in 2002 was $17.9 million, a decrease of $3.7 million from $21.6 million in 2001. This decrease is consistent with the compression in M.R.S. Trust's interest rate spreads, a direct result of the lower interest rate environment experienced in the current period as compared to last year.

Operating Expenses

Mackenzie's operating expenses decreased $31.6 million to $583.3 million in 2002 from $614.9 million in the previous year.

Commission expense, which represents the amortization of deferred selling commissions, decreased $11.4 million to $153.2 million from $164.6 million in the previous year. Mackenzie amortizes its deferred selling commissions over a maximum period of seven years, consistent with the redemption fee schedule on the underlying units. To the extent that Mackenzie receives redemption fees, the amortization of deferred selling commissions is accelerated. The decrease, as compared to the previous year, is consistent with the increase in deferred commissions which are now fully amortized, and the reduction in redemption fee revenue.

Trailer fees paid to dealers were $149.0 million in 2002, an increase of $4.2 million from $144.8 million in 2001. This increase is consistent with the overall growth in Mackenzie's average mutual fund assets under management in the current year as compared to 2001.

Non-commission expenses include costs incurred by Mackenzie in the administration, marketing and management of its mutual funds and all other expenses in the operation of its business. Non-commission expenses decreased $24.4 million to $281.1 million in 2002 from $305.5 million in 2001. This decline was primarily due to:

- Synergies related to the transition work completed with Investors Group.
- Management of discretionary expenditures.
- Lower distribution fees paid to a limited partnership, consistent with the decline in average assets financed by limited partnership vehicles.
- Reduction in sub-advisory expenses due to the shift in assets from sub-advised funds to internally managed funds and the renegotiation of a number of sub-advisory agreements during the year.
- Re-focusing the marketing plan and reducing certain advertising expenditures.

Investors Group Inc.

CONSOLIDATED FINANCIAL POSITION

The Company's on-balance sheet assets totalled $5.99 billion at December 31, 2002, compared to $6.12 billion at December 31, 2001.

Securities

The Company's holdings of securities were $156.2 million at December 31, 2002 – a decrease of $92.0 million or 37.1%. Securities currently represent 2.6% of total assets as compared with 4.1% at December 31, 2001. The market value of the Company's portfolio at December 31, 2002 exceeded cost by $125.1 million compared with $163.6 million at year end 2001. The proceeds realized from securities sold during the year were used in part to repay the bridge financing related to the acquisition of Mackenzie.

The Company continually strives to ensure that its portfolio holdings are of the highest quality. To manage the market and credit risk associated with a securities portfolio, a Senior Management Investment Committee monitors the Company's portfolio and approves all purchases. This Committee regularly reviews the portfolio to identify holdings where there has been an other than temporary decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss. Management also reviews the portfolio to establish appropriate and prudent allowances where other than temporary impairment is not yet evident.

Loans

Loans, including mortgages and personal loans, decreased by 16.2%, or $106.1 million, to $549.0 million at December 31, 2002 and represent 9.2% of total assets, compared to 10.7% at year end 2001. This decrease is comprised of $44.7 million in mortgages and personal loans related to the Company's intermediary activities and a decrease of $61.4 million in residential loans related to the Company's mortgage banking operations.

Residential mortgage loans, sourced with the assistance of Investors Group Consultants, are primarily designated for sale to third parties on a fully serviced basis through Investors Group's mortgage banking operations. Mortgage loans sourced through mortgage brokers and personal loans sourced through MRS Group relate to M.R.S. Trust's intermediary activities. M.R.S. Trust also sells mortgages and personal loans to third parties on a fully serviced basis through its securitization activities.

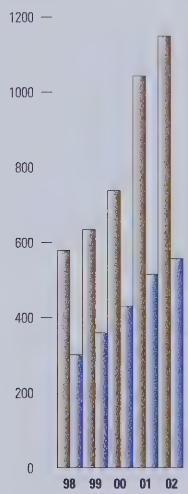
CREDIT RISK

At December 31, 2002, impaired loans totalled $2.2 million and represented .38% of the total loan portfolio, compared with $3.4 million, or .49%, at December 31, 2001. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. These policies and practices have resulted in the effective control of impaired loans. Management continued its conservative policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage, loan, and real estate portfolios. The allowance for credit losses exceeded impaired mortgages and loans by $19.4 million as at December 31, 2002, compared to $17.9 million at December 31, 2001.

During 2003, the Company does not expect any significant losses in its mortgage portfolios because:

- The portfolios are 94% residential and 66% insured.
- 83% of the portfolios are owner occupied.
- The mortgages in the portfolios are geographically diverse.
- The Company continues to apply strict credit risk management policies.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the financial year
($ Millions)



EBITDA
578 634 738 1043 1149
Excluding restructuring costs in 2001
Cash Flow Available
301 359 430 515 557
Cash flow available from operations before payment of commissions

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's operating liquidity requirements involve financing operations, servicing its existing debt and equity, and maintaining liquidity in its regulated subsidiaries.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $1,148.6 million for the year, an increase of 10.2% from $1,042.6 million in 2001, before giving effect to the restructuring charge of $95.6 million in 2001.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. The Company's commission expense was fully funded through management fee revenue earned on mutual fund assets under management and through additional sales charges levied in connection with the early redemption of mutual funds. The Company continues to rely on its strong financial position to address the funding of commissions internally.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of these mortgages are sold to third parties on a fully serviced basis. The Company is active in both the whole loan sale and securitization markets. During 2002, whole loan sales to third parties totalled $1.1 billion and proceeds from securitizations were $217.4 million.

The Company maintains additional liquidity to meet regular interest and dividend obligations related to:

- Long-term debt and preferred shares of $1.41 billion issued during the second quarter of 2001 to finance the Mackenzie acquisition.
- The $175 million in unsecured debentures issued in 2002, the proceeds of which were used for general corporate purposes including repayment of bank indebtedness.
- The interest related to other long-term debt.

During 2002, the Company repaid $497.0 million of the bridge financing and $100.0 million of the Floating Bankers Acceptances due May 30, 2006 which were related to the acquisition of Mackenzie.

Other potential sources of liquidity are the Company's portfolio of securities and lines of credit. At December 31, 2002, the market value of the marketable securities in its portfolios and those of its unregulated subsidiaries was $238.8 million. The Company maintains operating lines of credit totalling $235 million with various Schedule I Canadian chartered banks.

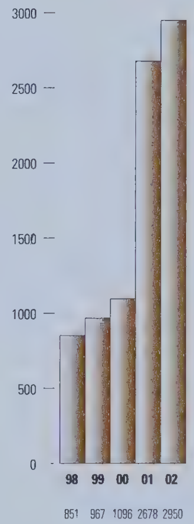
Liquidity can also be provided through the Company's ability to raise funds in both the domestic debt and equity markets as evidenced by funds raised to finance its acquisition of Mackenzie in 2001 and by funds raised through the debentures issued in December 2002.

Liquidity requirements for M.R.S. Trust, Investors Group Trust Co. Ltd. and The Trust Company of London Life, which engage in financial intermediary activities, are established by regulatory authorities. As at December 31, 2002, liquidity for the three companies was in excess of regulatory requirements.

Interest Rate Sensitivity

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure within limits established by the Investment Committee of the Board of Directors. The Company manages the repricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of M.R.S. Trust, Investors Group Trust Co. Ltd. and The Trust Company of London Life. As at December 31, 2002, the total gap between one-year deposit assets and liabilities was well within the Company's stated policy parameters for these trust companies.

Shareholders' Equity
As at December 31
($ Millions)



Capital Resources

Shareholders' equity increased to $2.95 billion as at December 31, 2002 from $2.68 billion at December 31, 2001. During the same period, long-term debt increased marginally to $1.39 billion from $1.36 billion at December 31, 2001. Of this amount, $1.23 billion represents long-term debt related to the aquisition of Mackenzie.

To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

Independent reviews confirm the continuing quality of the Company's balance sheet and the strength of its operations. During 2002, both Standard & Poors (S&P) and the Dominion Bond Rating Service (DBRS) reviewed their ratings of the Company's senior debt and liabilities. The senior debt and liabilities were rated A with a stable outlook by both S&P and DBRS.

Management is confident that the Company's current capital resources are adequate and can support its activities during 2003.

Table 7: Debt Financing Related to Acquisition of Mackenzie

($ Millions)	**2002**	2001	Change
Bridge credit facility – Bankers' acceptances	**$ –**	$ 497.0	$ (497.0)
Long-term debt			
Floating Bankers' Acceptance, due May 30, 2006	**450.0**	550.0	(100.0)
6.75% Debentures 2001 Series, due May 9, 2011	**450.0**	450.0	–
7.45% Debentures 2001 Series, due May 9, 2031	**150.0**	150.0	–
7.00% Debentures 2002 Series, due December 31, 2032	**175.0**	–	175.0
	1,225.0	1,150.0	75.0
	$ 1,225.0	$ 1,647.0	$ (422.0)

OUTLOOK

The Financial Services Environment

During the past decade, the financial services industry has experienced considerable growth and substantial change. Some of the factors contributing to industry growth are:

- Changes in investment habits.
- Increasing ease of investment in capital markets.
- Greater knowledge and understanding of investment products among the general public.
- Shifting demographics – the move of the baby boom generation into peak saving and investing years.

INCREASED COMPETITION AND DEREGULATION

A changing and expanding marketplace has brought a substantial increase in competition within the industry. Domestic and foreign service providers, including banks, financial planners, investment dealers, insurance companies and others, are seeking to provide a comprehensive range of services. In addition, the nature of these services is shifting. Several years ago, the industry was focused on offering single, distinct products to clients. Today, in response to the broadening of clients' needs and their increasing sophistication, products and services are more integrated, and are designed to meet clients' overall financial requirements. In addition, deregulation has enabled companies to broaden their delivery channels to attract clients.

GROWTH OF MUTUAL FUNDS

The mutual fund market has grown substantially over the past decade and has assumed a prominent role in the financial services industry. At December 31, 2002, mutual fund industry assets in Canada totalled $391.3 billion, a decrease of 8.2% from $426.4 billion at December 31, 2001. The decline in assets in 2002 is the first such occurrence since 1981 and resulted primarily from continuing poor capital market performance.

The $35.1 billion decrease in industry assets from December 31, 2001 reflects net sales of $3.4 billion, the inclusion of approximately $3.8 billion of new assets that were not previously categorized as mutual fund assets, offset by an estimated $42.3 billion decrease from negative market action. This negative market action represented 9.9% of year-end 2001 industry assets.

However, despite the decline in assets in 2002, the long-term outlook for growth in mutual fund assets continues to be positive. Factors that should contribute to this growth include:

- A continuing environment of low interest rates.
- Demographic changes resulting in more individuals focusing on saving and investing including increasing concern over the adequacy of government-sponsored pension plans.
- A growing number of financial services companies providing mutual funds to consumers.
- The globalization of capital markets.

The Competitive Landscape

To provide financial planning services to Canadians, the Company must compete with other mutual fund companies and, increasingly, with other financial services organizations including banks, brokerage firms and life insurance companies. Merger and acquisition activity in 2002 reflected continued consolidation within the industry.

BANKS

The dominant competitive force in retail financial services is the banking industry. Management feels that the banks' presence has served to accelerate the growth of the mutual fund industry as a whole. During 2002, banks continued to maintain a significant share of the mutual fund market. A substantial portion of their mutual fund assets continue to be concentrated in money market funds. At December 31, 2002, money market funds accounted for 36% of their total fund assets compared with approximately 38% in 2001.

MUTUAL FUND DEALERS AND MANUFACTURERS

Mutual fund dealers have also been successful in expanding their distribution network and increasing their penetration of the financial advice market. During the year, a number of organizations consolidated to form larger firms. Management expects continued consolidation in the industry as smaller participants are acquired by larger, more efficient organizations.

A continuing trend within the mutual fund sector is increased vertical integration, where one firm both manufactures and distributes products. For mutual fund dealers, this has meant increasing their manufacturing capabilities. This business model, which integrates investment management with the distribution of financial products and services, is similar to that which the Company has utilized successfully.

DISTRIBUTION CHANNELS

Within the various mutual fund distribution channels, competition is strong. Management views this as a healthy environment that allows investors to receive high-quality investment management services for reasonable fees. In addition, there is increasing competition among mutual fund manufacturers to access distributors and the shelf-space that distributors can offer as the number of mutual funds continues to increase.

Meeting Competitive Challenges

The Company is well positioned to enhance its competitive position in the mutual fund and financial services industries. At present, the financial services market consists largely of clients who have developed relationships with a number of different providers of products and services. To be successful in this environment, the Company must continue to be innovative and provide excellent service to its clients.

INVESTORS GROUP – MACKENZIE TRANSITION

In 2001, the Company established a project structure to properly transition to the new post-acquisition environment and fully realize operating efficiencies and product enhancements. The project structure consists of an Executive Steering Committee and individual project teams that manage the transition process. Investors Group and Mackenzie are working together to ensure that transition issues are managed to maximize benefits to all constituents, while maintaining important distinctions relating to brand, distribution, investment management and corporate leadership.

The transition plan seeks to achieve a target of approximately $100 million (pre-tax basis) of synergies per year. This consists of $75 million per year in synergies to the Company's shareholders and an additional $25 million per year in synergies to Investors Group and Mackenzie mutual fund clients. Synergies will be realized by clients based upon reductions in fund costs. Management's objective is to achieve these synergies on a run rate basis in the second year following acquisition. As at December 31, 2002, total annual synergies of $81 million per year (pre-tax basis) had been achieved which is in excess of 80% of the stated target. This total is comprised of $61 million in synergies to the Company's shareholders and $20 million in synergies to mutual fund clients.

These synergies have resulted from many areas including:

- Integration of Maxxum into the operations of Mackenzie.
- Renegotiated vendor relationships including sub-advisory investment management agreements, printing contracts, and telephony services.
- Consolidation of a number of systems and management activities such as web-hosting support, data telecommunications services and selected corporate services.
- Lower administration costs for both Investors Group and Mackenzie mutual fund clients through a review of "best demonstrated practices".

In this regard, the Company charged estimated restructuring costs of $95.6 million ($56.0 million after tax) to earnings in the second quarter of 2001. These costs include severance and related expenses, decommissioning of systems, and restructuring certain businesses. At December 31, 2002, the unexpended portion of the restructuring provision was $69.8 million.

Management is confident that the acquisition of Mackenzie will be a key factor in the Company's future success. The acquisition provides access to multiple advisor-based distribution channels as well as positioning the Company to realize numerous operating efficiencies and product enhancements. These benefits have begun to accrue already and will continue well into the future to enable the Company to maintain a significant competitive position in an evolving environment.

Disposition of Mackenzie Investment Management Inc. (Mackenzie Investment)
On August 29, 2002 Mackenzie and its majority-owned (85.7 per cent) subsidiary, Mackenzie Investment, entered into an agreement to sell Mackenzie Investment to Waddell & Reed Financial, Inc. On December 16, 2002, Mackenzie completed the sale. The disposition was made for proceeds of CDN$94.7 million resulting in a net gain of $2.0 million.

The decision to sell Mackenzie Investment is part of Mackenzie's strategy to focus on its core Canadian distribution operations and the needs of Canadian independent financial advisors and their clients. Mackenzie has retained Waddell & Reed to sub-advise on select Mackenzie funds distributed in Canada.

EXPANDED PRODUCT SHELF
Offering a broader range of financial products and increasing the diversification of the Company's core products will help strengthen existing client relationships and attract new clients. This strategy will enhance the extent and quality of the Company's client relationships, protect its client base and expand its market share.

The Company's definitive agreement with National Bank through which banking products and services will be offered in 2003 is further evidence of the Company's ability to expand its product shelf in new and unique ways that serve existing clients and attract new ones.

INTEGRATED BUSINESS MODEL
The highly developed nature of its integrated business model and the scale of its operations give the Company a distinct advantage over its competition. Consequently, the Company is well positioned to meet increased competition for distribution shelf space. The synergies achieved through the Company's acquisition of Mackenzie and its association with Great-West and London Life as Power Financial affiliates further enhances the Company's scale of operations and strengthens its position in the marketplace.

While competitors may attempt to replicate its business model, management is confident that the Company will maintain its leadership position as a primary distributor of a broad and diverse range of financial products and services.

The Regulatory Environment

The regulatory environment for the financial services industry in Canada continues to evolve. The Company supports all regulatory efforts that will protect the interests of clients and preserve the integrity and reputation of the industry and its members. Management looks forward to future developments that will further these objectives.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA
The Mutual Fund Dealers Association of Canada (MFDA), the self-regulatory organization for the mutual fund dealer industry in every jurisdiction in Canada except Quebec, admitted Investors Group Financial Services Inc. and Multiple Retirement Services inc., the Company's mutual fund dealer subsidiaries, as members in 2002. As a result, the MFDA's rules and by-laws dealing with required capital, sales compliance, proficiency, distribution structures and administration now apply to these subsidiaries.

The MFDA is continuing to work towards the establishment of a contingency fund to protect investors in the event of the insolvency of a member mutual fund dealer. A formal proposal for the contingency fund is expected to be published in 2003.

NATIONAL FINANCIAL SERVICES OMBUDSERVICE (NFSO)

When the Federal Government enacted Bill C-8 amending the legislation regarding the financial services sector, one provision called for the implementation of a Canadian Financial Services Ombudsman under the auspices of the Federal Government. In response to this legislative initiative, the financial services sector approached the government to allow for an industry solution as opposed to government intervention. In support of a proposition by a number of financial services participants, namely, Canadian Bankers Association, Canadian Life & Health Insurance Association, Insurance Bureau of Canada, Investment Dealers Association, Mutual Fund Dealers Association of Canada and Investment Funds Institute of Canada, the Federal Government agreed to postpone its initiative pending the development and implementation of a national financial services ombudservice provided by the various sectors of the financial services industry. The Federal Government agreed to a two year window to allow for the various sector representatives to effect a workable ombudsman system for Canadian consumers in their respective sectors.

On October 1, 2002, the Ombudsman for Banking Services and Investments became operational to provide dispute resolution services for members of the Canadian Bankers Association, Investment Dealers Association, Mutual Fund Dealers Association of Canada and Investment Funds Institute of Canada. Separate ombudservices were established for members of the Canadian Life & Health Insurance Association and Insurance Bureau of Canada. All of these ombudservices operate in conjunction with the industry sponsored Centre for Financial Services OmbudsNetwork, which provides single-window access to consumers for financial services complaints.

Market influences

Declines and volatility in domestic and international equity markets and changes in interest rates may affect the future outlook for the Company. Financial markets were both weak and highly volatile throughout 2002. Declines in the value of equity markets and changes in interest rates could have a significant impact on the level and mix of mutual fund sales and could also result in increased redemptions of mutual funds.

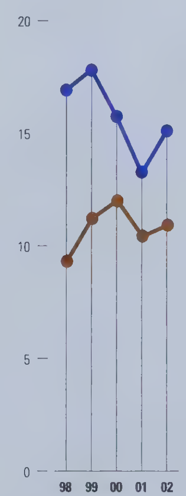
REDEMPTION RATES

The combined redemption rate for long-term funds for Investors Group and Mackenzie mutual funds was 10.9% at December 31, 2002, among the lowest in the industry. The corresponding redemption rate for the industry as a whole, excluding the Company's mutual funds, was 15.1%.

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. Financial advisors can also play a key role in educating investors about the value of a long-term investment strategy and the benefits of an appropriate level of portfolio diversification. In periods of declining markets and market volatility, they can also be effective in encouraging clients to assume a long-term investment outlook and continue to invest.

Investors Group and Mackenzie provide Consultants and independent financial advisors, respectively, with superior levels of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships, and, as a result, the Company has been able to maintain redemption rates that are among the lowest in the industry.

Mutual Fund Redemption Rates[1]
As at December 31
(%)



IFIC[2]
16.9 17.8 15.7 13.2 15.1

Investors Group and Mackenzie
9.3 11.2 12.0 10.4 10.9

[1] *Excluding money market and managed yield funds*
[2] *Excludes Investors Group and Mackenzie*

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of dollars)	2002	2001
Assets		
Cash and short term investments	**$ 771,522**	$ 854,275
Securities (Note 2)	**156,186**	248,205
Loans (Note 3)	**548,969**	655,094
Investment in affiliate (Note 5)	**320,988**	297,810
Deferred selling commissions	**726,718**	657,221
Other assets (Note 6)	**336,956**	388,941
Goodwill and intangible assets (Note 7)	**3,125,613**	3,020,922
	$ 5,986,952	$ 6,122,468
Liabilities		
Deposits and certificates (Note 8)	**$ 709,012**	$ 671,248
Bankers' acceptances (Note 9)	**–**	497,000
Other liabilities (Note 10)	**639,363**	779,853
Future income taxes (Note 12)	**301,744**	120,234
Long-term debt (Note 13)	**1,386,365**	1,362,268
Non-controlling interest	**513**	13,621
	3,036,997	3,444,224
Shareholders' Equity		
Share capital (Note 14)		
Preferred	**360,000**	360,000
Common	**1,441,063**	1,431,163
Retained earnings	**1,148,892**	884,531
Foreign currency translation adjustment	**–**	2,550
	2,949,955	2,678,244
	$ 5,986,952	$ 6,122,468

(See accompanying notes to consolidated financial statements.)

On behalf of the Board

Director

Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 (in thousands of dollars, except shares and per share amounts)	2002	2001
Fee and net investment income		
Management	**$ 1,379,923**	$ 1,255,258
Administration	**295,321**	246,466
Distribution	**137,961**	125,210
Net investment income and other	**126,831**	133,674
Total fee and net investment income	**1,940,036**	1,760,608
Operating expenses		
Commission expense	**497,480**	490,713
Non-commission expenses	**535,372**	503,610
Interest expense	**79,514**	73,195
Restructuring costs (Note 23)	**–**	95,610
Total operating expenses	**1,112,366**	1,163,128
Income before income taxes, non-controlling interest, goodwill amortization and discontinued operations	**827,670**	597,480
Income taxes (Note 12)	**317,401**	252,474
	510,269	345,006
Non-controlling interest	**321**	159
Income before goodwill amortization and discontinued operations	**509,948**	344,847
Goodwill amortization, net of tax	**–**	71,969
Income before discontinued operations	**509,948**	272,878
Discontinued operations (Note 24)	**1,811**	116
Net income	**511,759**	272,994
Preferred dividends	**20,700**	13,299
Net income available to common shareholders	**$ 491,059**	$ 259,695
Weighted-average number of common shares (in thousands) (Note 18)		
– Basic	**263,487**	247,093
– Diluted	**264,873**	247,932
Earnings per share (in dollars) (Note 18)		
Excluding discontinued operations		
– Basic	**$ 1.857**	$ 1.051
– Diluted	**$ 1.847**	$ 1.047
Including discontinued operations		
– Basic	**$ 1.864**	$ 1.051
– Diluted	**$ 1.854**	$ 1.047

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31 (in thousands of dollars)	2002	2001
Balance, beginning of year	**$ 884,531**	$ 823,529
Net income	**511,759**	272,994
Dividends		
Preferred	**(20,700)**	(13,299)
Common	**(226,698)**	(182,747)
Share issue expense, net of tax	**–**	(5,658)
Premium paid on common shares purchased for cancellation (Note 14)	**–**	(10,288)
Balance, end of year	**$ 1,148,892**	$ 884,531

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in thousands of dollars)	2002	2001
Operating activities		
Net income	**$ 511,759**	$ 272,994
Adjustments to determine net cash from operating activities		
Future income taxes	**54,147**	(25,465)
Commission amortization	**203,708**	236,110
Depreciation	**27,148**	26,763
Goodwill amortization	**–**	72,312
Discontinued operations	**(1,811)**	(116)
Changes in operating assets and liabilities and other	**(155,948)**	35,536
	639,003	618,134
Commissions paid	**(282,512)**	(237,587)
	356,491	380,547
Financing activities		
Increase in deposits and certificates	**37,764**	32,381
(Repayment) net proceeds on bankers' acceptances	**(497,000)**	497,000
(Repayment) proceeds from bank term loan	**(100,000)**	550,000
Issue of debentures	**175,000**	600,000
Repayment of long-term debt	**(50,903)**	(36,967)
Issue of common shares	**9,900**	373,004
Issue of preferred shares	**–**	360,000
Share issuance costs	**–**	(9,708)
Preferred dividends paid	**(20,700)**	(13,299)
Common dividends paid	**(217,313)**	(166,333)
Common shares purchased for cancellation	**–**	(14,137)
	(663,252)	2,171,941
Investing activities		
Acquisition of Mackenzie Financial Corporation less cash and short term investments acquired (Note 22)	**–**	(2,601,695)
Proceeds from sale of discontinued operations less cash and short term investments disposed of	**20,253**	–
Purchase of securities	**(16,666)**	(41,207)
Proceeds from the sale of securities	**126,388**	269,763
Increase in loans	**(111,043)**	(716,175)
Proceeds from securitizations	**217,443**	703,227
Net proceeds from the sale of real estate	**997**	1,481
Additions to office premises	**(13,364)**	(29,809)
	224,008	(2,414,415)
(Decrease) increase in cash and cash equivalents	**(82,753)**	138,073
Cash and cash equivalents, beginning of year	**854,275**	716,202
Cash and cash equivalents, end of year	**$ 771,522**	$ 854,275
Cash	**$ 148,226**	$ 234,223
Short term investments	**623,296**	620,052
	$ 771,522	$ 854,275

(See accompanying notes to consolidated financial statements.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

1. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

GAAP require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from such estimates.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

Effective April 20, 2001, the Company acquired all of the outstanding common shares of Mackenzie Financial Corporation ("Mackenzie"). The acquisition was accounted for by the purchase method. The consolidated financial statements include the assets and liabilities of Mackenzie as at December 31, 2002 and 2001 and the results of operations from the date of acquisition.

The equity method is used to account for the Company's investment in Great-West Lifeco Inc., an affiliated company. Both companies are controlled by Power Financial Corporation. Investments in joint ventures that were jointly controlled were consolidated on a proportionate basis.

Revenue recognition

Management and certain administration fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed.

Foreign currency translation

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and all income and expense items are translated at average exchange rates prevailing throughout the year. Any resulting translation gains or losses are reported in shareholders' equity as a foreign currency translation adjustment. When a self-sustaining foreign operation is sold, the associated currency translation gains or losses, previously included in shareholders' equity, are recorded as part of the gain or loss on disposal of the investment.

Securities

Investment securities comprise debt and equity securities held for long-term investment. Bonds and debentures are carried at amortized cost plus accrued interest. Discounts or premiums on the purchase of bonds and debentures are amortized over the remaining life of the security. Common and preferred shares and all other securities are carried at original cost plus declared dividends. Securities are written down to their fair value when an other than temporary decline in value is identified. Trading securities related to the Company's derivative activities are carried at fair value.

Loans

Loans are carried at amortized cost plus accrued interest less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by the Company suggests that losses may occur but where such losses cannot yet be identified on an individual loan basis.

Securitizations

The Company periodically securitizes mortgages and personal loans through sales to commercial paper conduits that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also securitizes NHA-insured mortgages through the issuance of mortgage-backed securities. Effective July 1, 2001, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 12 ("AcG-12"), "Transfers of Receivables", for transfers of loans occurring on or after July 1, 2001.

1. Summary of significant accounting policies (cont'd)

Securitizations (cont'd)

Under AcG-12, transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the consolidated balance sheet and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets sold and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of the Company's retained interests, quoted market prices are used if available. However, quotes are generally not available for retained interests, so the Company estimates fair value based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. The Company continues to service the loans sold. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

Transfers of loans occurring, or committed to, prior to July 1, 2001, are accounted for as sales when the significant risks and rewards of ownership have been transferred and there is reasonable assurance regarding the measurement of the consideration derived from the sale. Gains on these transactions are deferred and recognized over the term of the structure as and when realized. To the extent there is recourse on the transaction, any gain is deferred until the cash is collected and there is no further recourse. Fees earned by the Company to service the securitized loans are recognized as services are provided.

For all transfers of loans, gains/losses on sale and servicing fee revenues are reported in net investment income and other in the consolidated statements of income. The retained interests in the securitized loans are recorded in other assets and the servicing liability is recorded in other liabilities on the consolidated balance sheet.

Deferred selling commissions

Commissions paid on the sale of certain mutual fund products are deferred and amortized against related fee income over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization was three years. The Company changed the period of amortization for these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The change in accounting estimate was applied prospectively and resulted in a decrease of $32,306 ($19,829 after tax) in commissions expense in 2002. Commissions paid on the sale of deposits are deferred and amortized over the term of the deposit with a maximum amortization period of five years.

Office premises

Office premises, which are included in other assets, are recorded at cost of $210,757 (2001 – $203,583), less accumulated depreciation of $118,094 (2001 – $94,522). The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated lives.

Goodwill and intangible assets

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3062 – Goodwill and Other Intangible Assets. Under this standard, goodwill and intangible assets with indefinite lives will no longer be amortized but must be reviewed at least annually for impairment, and written down for impairment losses. Previously, the Company amortized goodwill on a straight-line basis over 30 years. Goodwill and intangible assets related to the acquisition of Mackenzie were determined in the second quarter of 2002 after completing a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed.

The Company completed its annual impairment testing on the balance of goodwill and indefinite life intangible assets and determined that no impairment charge was necessary.

This change in accounting policy was applied prospectively and resulted in a decrease of $108,136 ($108,090 after tax) in goodwill amortization in 2002. In addition, adoption of this standard resulted in an increase of $4,981 in net investment income as goodwill relating to the Company's equity accounted investment in Great West Lifeco, Inc. was not amortized in 2002.

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

1. Summary of significant accounting policies (cont'd)

Goodwill and intangible assets (cont'd)

The table below is provided to present the comparative net income available to common shareholders, earnings per share and diluted earnings per share for the years ended December 31, 2002 and 2001 on a consistent basis with the presentation in effect since January 1, 2002.

		2002		2001
Reported net income available to common shareholders	**$**	**491,059**	$	259,695
Add back:				
Goodwill amortization, net of tax [1]		–		76,950
Net income available to common shareholders adjusted for goodwill	**$**	**491,059**	$	336,645
Basic earnings per share (in dollars)				
– Reported	**$**	**1.864**	$	1.051
– Adjusted for goodwill	**$**	**1.864**	$	1.362
Diluted earnings per share (in dollars)				
– Reported	**$**	**1.854**	$	1.047
– Adjusted for goodwill	**$**	**1.854**	$	1.358

(1) Includes amortization of goodwill on investment in affiliate reported in Net investment income and other

Pension plans and other post-retirement benefits

The Company maintains a defined-benefit pension plan for substantially all of its eligible employees. The plan provides pensions based on length of service and final average earnings. The benefit obligation is actuarially determined and accrued using the projected benefit method pro-rated on service. Pension expense or income consists of the aggregate of the actuarially computed cost of pension benefits provided in respect of the current year's service, imputed interest on the funding excess or deficiency of the plan, and the amortization of actuarial gains or losses over the expected average remaining service life of employees. Plan assets are valued at fair value for purposes of calculating the expected long-term rate of return.

The Company also has an unfunded supplementary pension plan for certain executive officers. Pension expense related to current services are charged to income in the period during which the services are rendered.

The Company also provides certain post-retirement health care and life insurance benefits to eligible retirees. The cost of the benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of post-retirement health and life insurance benefits is charged to income in the period during which the services are rendered.

Income taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined based on the enacted or substantively enacted tax rates which are expected to be in effect when the underlying items of income or expense are expected to be realized.

Earnings per share

Basic earnings per share is determined by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is determined using the same method as basic earnings per share except that the weighted-average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury method.

Stock-based compensation

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870 – Stock-based Compensation and Other Stock-based Payments. All stock-based payments to non-employees are accounted for using a fair value-based method of accounting. The fair value-based method of accounting is not used for stock-based compensation for employees (see Note 15).

1 *Summary of significant accounting policies (cont'd)*

Derivative financial instruments
Derivative financial instruments are utilized by the Company in the management of interest rate and equity market exposures and for trading purposes to meet the needs of the Company's clients. The Company's policy is not to utilize derivative financial instruments for speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the consolidated balance sheet or to assets under management. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt and mortgage banking activities. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate swap agreements as hedges of the underlying assets and liabilities. Interest income and expense is adjusted to include the payments made or received under the interest rate swaps.

The Company enters into equity index swaps to offset changes that affect fee income earned on its mutual fund assets under management. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its equity swap agreements as hedges of the anticipated revenue stream. Management fee income is adjusted to include the payments made or received under the equity index swaps.

The Company also manages its exposure to market risk on its securities by entering into forward sale contracts as well as simultaneously purchasing a put option and writing a call option on the same security. The Company designates these contracts as hedges of the specified securities. Any unrealized gains and losses on the forward sales and options are accounted for on a basis consistent with the related securities.

In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instruments, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

The Company acts as a counterparty to forward contracts used in trading activities. As at December 31, 2002, the Company had equity-linked forward contracts outstanding with a notional amount of $1,618,177 (2001 – nil), expiring January 9, 2003. Unrealized gains and losses on these contracts have been reported on a net basis in the Company's consolidated financial statements since the Company has both the legal right and intent to settle these amounts simultaneously with the related on-balance sheet asset or liability. The credit risk exposure arising from these forward contracts is eliminated by the ability of the Company to settle on a net basis.

Assets under management and assets under administration
The Company manages and administers assets owned by clients and third parties that are not reflected on the consolidated balance sheet. Mutual fund assets managed by the Company on behalf of its clients are considered assets under management. Mortgages serviced for third parties and assets administered in the Company's securities operations are considered assets under administration.

Comparative figures
Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

2. Securities

	2002 Carrying Value	2002 Fair Value	2001 Carrying Value	2001 Fair Value
Government bonds	$ 2,050	$ 2,096	$ 3,116	$ 3,209
Corporate bonds	93	93	796	796
Preferred shares	11,098	11,276	12,570	12,966
Common shares	111,146	239,510	166,961	353,336
Investments in mutual funds	31,799	31,893	64,762	61,443
	$ 156,186	$ 284,868	$ 248,205	$ 431,750

	Term to Maturity 1 Year or Less	1 – 5 Years	No Specific Maturity	2002 Total	2001 Total
Government bonds	$ 2,050	$ –	$ –	$ 2,050	$ 3,116
Corporate bonds	–	93	–	93	796
Preferred shares	8,666	2,432	–	11,098	12,570
Common shares	–	–	111,146	111,146	166,961
Investments in mutual funds	–	–	31,799	31,799	64,762
	$ 10,716	$ 2,525	$ 142,945	$ 156,186	$ 248,205

3. Loans

	Term to Maturity 1 Year or Less	1 – 5 Years	Over 5 Years	2002 Total	2001 Total
Residential mortgages	$ 148,651	$ 207,325	$ 6,958	$ 362,934	$ 470,077
Commercial mortgages	8,459	12,331	577	21,367	17,909
	157,110	219,656	7,535	384,301	487,986
Personal loans	36,791	122,681	26,738	186,210	188,429
	$ 193,901	$ 342,337	$ 34,273	570,511	676,415
Less: General allowance				21,542	21,321
				$ 548,969	$ 655,094
Impaired loans included above				$ 2,158	$ 3,446
Less: General allowance				21,542	21,321
				$ (19,384)	$ (17,875)

	2002	2001
The change in the allowance for credit losses is as follows:		
Balance, beginning of year	$ 21,321	$ 8,435
Mackenzie, balance at date of acquisition	–	13,307
Write-offs	(1,460)	(1,967)
Recoveries	799	304
Provision for credit losses	882	1,242
Balance, end of year	$ 21,542	$ 21,321

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

4. Securitizations

During the year the Company securitized the following loans with gains, net of transactions costs, being recognized in net investment income:

	2002		2001	
	Principal Amount Securitized	**Net Gain**	Principal Amount Securitized	Net Gain
Residential mortgages	**$ 131,103**	**$ 1,974**	$ 631,767	–
NHA insured mortgages	**$ 57,772**	**$ 353**	$ 75,041	$ 1,082
Personal investment loans	**$ 32,153**	**$ 1,670**	$ 10,445	–

The Company's retained interest in the securitized loans is subordinated to the interests of the related commercial paper conduits and mortgage-backed securities holders (the "Purchasers"). The Purchasers do not have recourse to the Company's other assets for any failure of the borrowers to pay when due.

The key economic assumptions used to value the retained interests at the date of securitization issuances for transactions completed during the year were as follows:

	Residential Mortgages	NHA Insured Mortgages	Personal Investment Loans
Weighted-average			
Remaining service life (in years)	2.0	5.6	n/a
Interest rate	5.61%	5.82%	Prime +1%
Coupon rate of securities issued	4.43%	4.92%	2.24%
Prepayment rate	15.00%	6.00%	10.00%
Discount rate	5.33%	5.16%	9.04%
Servicing fees	0.25%	0.21%	0.15%
Expected credit losses	0.05%	–	0.15%

At December 31, 2002, the current fair value of retained interests was $14,982. The sensitivity to immediate 10% and 20% adverse changes to key assumptions was considered to be immaterial.

The total loans reported on the Company's consolidated balance sheet, the securitized loans serviced by the Company, as well as cash flows related to securitization arrangements are as follows:

	2002	2001
Total principal amount of:		
Mortgages	**$ 1,153,048**	$ 1,473,579
Personal investment loans	**235,994**	226,561
	1,389,042	1,700,140
Less: Securitized loans serviced	**840,073**	1,045,046
Total on-balance sheet loans	**$ 548,969**	$ 655,094
Proceeds from new securitizations	**$ 217,443**	$ 703,227
Cash flows received on retained interest	**$ 3,997**	$ 2,891

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

5. Investment in affiliate

The Company holds a 4.4% equity interest in Great-West Lifeco Inc. Goodwill of $128,870 (2001 – $128,870) is included in the carrying value of the investment.

	2002	2001
Carrying value, beginning of year	**$ 297,810**	$ 293,481
Share of earnings	**38,516**	21,970
Goodwill amortization	**–**	(4,981)
Dividends	**(15,338)**	(12,660)
Carrying value, end of year	**$ 320,988**	$ 297,810

6. Other assets

	2002	2001
Accounts and other receivables	**$ 155,299**	$ 199,597
Office premises	**92,663**	109,061
Accrued pension asset (Note 11)	**39,919**	36,832
Real estate	**3,423**	4,420
Other	**45,652**	39,031
	$ 336,956	$ 388,941

7. Goodwill and intangible assets

During the second quarter of 2002, the Company completed a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed from the acquisition of Mackenzie. The amount assigned to intangible assets represents the fair value of mutual fund management contracts and trade names acquired. Both of these intangible assets have indefinite useful lives and are therefore not subject to amortization.

Changes in the Company's goodwill and intangible assets are as follows:

	2002
Goodwill	
Carrying value, beginning of year	**$ 3,020,922**
Reclassification between goodwill and intangible assets	**(859,948)**
Reclassification between goodwill and future income taxes	**130,153**
Goodwill disposed of during the year	**(25,462)**
Carrying value, end of year	**$ 2,265,665**
Allocated to reportable segments as follows:	
Investors Group	**$ 1,346,245**
Mackenzie	**919,420**
	$ 2,265,665
Intangible assets	
Carrying value, beginning of year	**$ –**
Reclassified from goodwill	
Mutual fund management contracts	**591,580**
Trade names	**268,368**
Carrying value, end of year	**$ 859,948**

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

8. Deposits and certificates

Included in the assets of the consolidated balance sheets are cash and investments amounting to $709,012 (2001 – $671,248) held in trust and set aside in respect of the deposits of Investors Group Trust Co. Ltd., The Trust Company of London Life and M.R.S. Trust Company, and the certificates issued by Investors Syndicate Limited.

		Term to Maturity				
	Demand	1 Year or Less	1 – 5 Years	Over 5 Years	2002 Total	2001 Total
Deposits	**$ 412,099**	**$ 103,559**	**$ 177,218**	**$ 5,116**	**$ 697,992**	$ 656,722
Certificates	**–**	**1,149**	**5,064**	**4,807**	**11,020**	14,526
	$ 412,099	**$ 104,708**	**$ 182,282**	**$ 9,923**	**$ 709,012**	$ 671,248

9. Bankers' acceptances

In 2001, a Schedule I Canadian chartered bank provided the Company with a non-revolving bridge credit facility which was used in part to provide the cash consideration for the acquisition of Mackenzie. Interest rates on the credit facility fluctuated with Canadian bankers' acceptances. The balance of the credit facility was repaid on November 20, 2002.

10. Other liabilities

	2002	2001
Accounts payable and accrued liabilities	**$ 202,981**	$ 292,350
Restructuring costs	**105,665**	130,456
Taxes payable	**77,036**	84,596
Dividends and interest payable	**80,332**	73,703
Deferred revenue	**13,950**	13,440
Accrued employee benefit obligations (Note 11)	**39,977**	37,384
Other	**119,422**	147,924
	$ 639,363	$ 779,853

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

11. Pension plans and other post-retirement benefits

Employee pension plan

The Company maintains a defined benefit pension plan which covers substantially all of its eligible employees. Changes in the fair value of plan assets and the accrued pension obligation are as follows:

	2002	2001
Fair value of plan assets		
Balance, beginning of year	**$ 142,581**	$ 145,797
Employee contributions	**2,529**	2,909
Benefits paid	**(7,204)**	(7,358)
Return on plan assets	**2,419**	1,233
Balance, end of year	**140,325**	142,581
Accrued benefit obligation		
Balance, beginning of year	**84,250**	77,660
Benefits paid	**(7,204)**	(7,358)
Current service cost	**2,953**	2,519
Employee contributions	**2,529**	2,909
Interest cost	**5,986**	5,717
Actuarial losses	**6,142**	2,803
Balance, end of year	**94,656**	84,250
Funded status - plan surplus	**45,669**	58,331
Unamortized net actuarial gains	**(5,750)**	(21,499)
Accrued pension asset	**$ 39,919**	$ 36,832

Pension income was determined as follows:		
Current service cost	**$ 2,953**	$ 2,519
Interest cost	**5,986**	5,717
Expected return on plan assets	**(9,817)**	(10,032)
Amortization of net actuarial gains	**(2,209)**	(3,334)
	$ (3,087)	$ (5,130)

Significant weighted-average actuarial assumptions:		
Discount rate	**6.95%**	6.95%
Expected long-term rate of return on plan assets	**7.00%**	7.00%
Rate of compensation increase	**6.10%**	6.10%

Supplementary employee retirement plan

The Company maintains an unfunded supplementary pension plan for certain executive officers.

	2002	2001
Accrued benefit obligation	**$ 10,476**	$ 12,446
Unamortized actuarial gains	**2,833**	–
Accrued benefit liability, end of year	**$ 13,309**	$ 12,446
Pension expense	**$ 1,585**	$ 2,847

Significant weighted-average actuarial assumptions:		
Discount rate	**6.88%**	6.88%
Rate of compensation increase	**6.10%**	6.10%

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

11. Pension plans and other post-retirement benefits (cont'd)

Post-retirement benefit plans

The Company also provides certain unfunded post-retirement health care and life insurance benefits to eligible retirees.

	2002	2001
Accrued benefit liability		
Balance, beginning of year	**$ 20,733**	$ 20,713
Benefits paid	**(879)**	(835)
Current service cost	**1,325**	1,306
Interest cost	**1,567**	1,596
Actuarial losses (gains)	**935**	(2,047)
	23,681	20,733
Unamortized actuarial gains	**2,987**	4,205
Balance, end of year	**$ 26,668**	$ 24,938

	2002	2001
Benefit expense was determined as follows:		
Current service cost	**$ 1,325**	$ 1,306
Interest cost	**1,567**	1,596
Amortization of net actuarial gains	**(283)**	(142)
	$ 2,609	$ 2,760

	2002	2001
Significant weighted-average actuarial assumptions:		
Discount rate	**7.00%**	7.25%
Medical trend rate	**5.60%**	6.70%

The medical trend rate is expected to decline to 4.5% annually in 2004.

12. Income taxes

The effective income tax rate differs from the statutory rate, as described below:

	2002		2001	
Income before income taxes, non-controlling interest, goodwill amortization and discontinued operations	**$ 827,670**		$ 597,480	
Income taxes at federal and provincial statutory rates	**$ 334,876**	**40.46%**	$ 258,410	43.25%
Effect of:				
Dividend income	**(2,760)**	**(0.33)**	(4,659)	(0.78)
Net capital gains and losses	**(391)**	**(0.05)**	(3,268)	(0.55)
Tax on large corporations	**143**	**0.02**	345	0.06
Lower effective rate of tax on income not subject to tax in Canada and other items	**(14,467)**	**(1.75)**	1,646	0.28
Income taxes provided	**$ 317,401**	**38.35%**	$ 252,474	42.26%

	2002	2001
Components of income tax expense are:		
Current income taxes	**$ 263,254**	$ 277,939
Future income taxes	**54,147**	(25,465)
	$ 317,401	$ 252,474

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

12. Income taxes (cont'd)

Future income tax balances result from temporary differences between the tax basis of assets and liabilities and their carrying amount on the consolidated balance sheet.

Sources of future income tax balances are as follows:

	2002	2001
Future income tax assets		
Restructuring costs	$ 40,703	$ 50,949
Accrued employee benefit obligations	14,974	13,651
Investment revaluations	9,935	15,025
Deferred revenue	7,664	9,496
Other	49,756	59,666
	123,032	148,787
Future income tax liabilities		
Deferred selling commissions	258,161	242,739
Intangible assets	130,153	–
Other	36,462	26,282
	424,776	269,021
Future income taxes	$ 301,744	$ 120,234

13. Long-term debt

		2002	2001
5.52%	Preferred A units, due December 31, 2002	$ –	$ 47,118
–	Note Payable to Quadrus Investment Services Ltd., due December 31, 2003, non-interest bearing	6,000	8,000
10.60%	Note Payable to Power Financial Corporation, due January 16, 2006	30,365	32,150
–	Floating Bankers' Acceptance, due May 30, 2006	450,000	550,000
6.75%	Debentures 2001 Series, due May 9, 2011	450,000	450,000
6.65%	Debentures 1997 Series, due December 13, 2027	125,000	125,000
7.45%	Debentures 2001 Series, due May 9, 2031	150,000	150,000
7.00%	Debentures 2002 Series, due December 31, 2032	175,000	–
		$ 1,386,365	$ 1,362,268

A syndicate of banks has provided the Company with a $550,000 non-revolving credit facility which is due on May 30, 2006. In 2002, the Company repaid $100,000 of this credit facility. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Interest expense relating to long-term debt was $81,650 (2001 – $61,707).

The annual principal payments in each of the next five years are: 2003 – $7,785; 2004 – $1,785; 2005 – $1,785; 2006 – $475,010; and 2007 – nil.

14. Share capital

Authorized

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

14. Share capital (cont'd)

Issued and outstanding

	2002 Shares	2002 Stated Value	2001 Shares	2001 Stated Value
First preferred shares, Series A	**14,400,000**	**$ 360,000**	14,400,000	$ 360,000
Common shares				
Balance, beginning of year	**263,081,731**	**$ 1,431,163**	209,742,580	$ 272,756
Issued to related parties (Note 22)	–	–	14,732,000	368,300
Issued on acquisition of Mackenzie (Note 22)	–	–	38,802,952	789,252
Issued under Stock Option Plan	**763,602**	**9,900**	512,199	4,704
Purchased for cancellation	–	–	(708,000)	(3,849)
Balance, end of year	**263,845,333**	**$ 1,441,063**	263,081,731	$ 1,431,163

Preferred shares

On May 9, 2001, the Company issued 14,400,000 5.75% first preferred shares, Series A, for consideration of $360,000. The shares are non-voting except in certain instances. Non-cumulative cash dividends are payable quarterly. The shares are redeemable by the Company beginning June 30, 2009, on a declining premium basis, for cash or, subject to regulatory approval, through the issuance of common shares. On and after June 30, 2013, the shares may be converted into common shares at the option of the holder, subject to the right of the Company to redeem or find substitute purchasers prior to the conversion date at the purchase price of $25.00 cash per share.

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on February 22, 2002. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares as at January 31, 2002. There were no purchases under this bid during 2002. On February 15, 2001, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 10.5 million or 5% of its common shares outstanding as at February 1, 2001. As at December 31, 2001, 708,000 common shares were purchased at a cost of $14,137 and the premium paid to purchase the shares was charged to retained earnings.

15. Stock-based compensation

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can choose each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in non-commission expense as paid and totalled $3,433 (2001 – $4,443).

Stock option plan

Under the terms of the Company's Stock Option Plan, options to purchase common shares are periodically granted to designated officers, employees and financial planning consultants at prices not less than the market price of such shares immediately prior to the grant date. The options are subject to time and/or performance vesting conditions set out at the date of grant and are exercisable no later than 10 years after date of grant.

In 2002, the Company's Stock Option Plan was amended to provide that an additional 15,000,000 common shares of the Company be reserved for issuance under the Plan. At December 31, 2002, a maximum number of 19,265,099 (20,028,701 at December 31, 2001) common shares were reserved for issuance under the plan. Compensation expense of $101 was recorded for the year ended December 31, 2002 for stock-based compensation related to non-employees. During 2002, 21,990 stock options were issued to employees. Utilization of fair-value based accounting would have no material impact on net income or earnings per share on a pro forma basis. Any consideration paid on exercise of stock options to purchase stock is credited to share capital.

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

15. Stock-based compensation (cont'd)

Stock option plan (cont'd)

	2002 Number of Options	2002 Weighted-Average Exercise Price	2001 Number of Options	2001 Weighted-Average Exercise Price
Balance, beginning of year	**6,389,231**	**$ 18.65**	2,827,740	$ 14.68
Granted	**106,740**	**27.81**	4,125,835	20.22
Exercised	**(763,602)**	**12.96**	(512,199)	9.18
Cancelled	**(195,535)**	**20.35**	(52,145)	20.50
Balance, end of year	**5,536,834**	**$ 19.55**	6,389,231	$ 18.65
Exercisable, end of year	**1,636,995**	**$ 17.32**	1,469,961	$ 13.30

Options outstanding at December 31, 2002	**Expiry Date**	**Exercise Price $**	**Options Outstanding**	**Options Exercisable**
	2005	8.66	376,499	376,499
	2006	8.89	–	–
	2007	12.98–13.54	142,040	142,040
	2008	18.85–20.99	101,800	77,920
	2009	18.99–24.27	743,000	536,500
	2010	17.00	117,000	32,400
	2011	19.83–22.78	3,951,255	471,636
	2012	27.81	105,240	–
			5,536,834	1,636,995

16. Off-balance sheet financial instruments

The Company enters into derivative contracts which are negotiated in the over-the-counter market with Schedule I and Schedule II Chartered bank counterparties on a diversified basis. In all cases the derivative contracts are used for non-trading purposes and they are designated as hedges. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Interest rate swaps are used for the purpose of asset and liability management to manage interest rate risk. Equity index swaps are contractual agreements to exchange payments based on a specified notional amount and the stock market index reference for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward sales are contractual agreements to sell a financial instrument on a future date at a specified price. Equity index swaps, options and forward sales are used to manage equity market risk through hedging activities that are designed to offset changes in the equity markets that affect income earned on the Company's securities and on the Company's assets under management.

The amount subject to credit risk is limited to the current market value of the instruments which are in a gain position. This represents only a small percentage of the notional amount. The credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this does not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

16. Off-balance sheet financial instruments (cont'd)

The following table summarizes the Company's off-balance sheet financial instruments at December 31:

	Notional Amount 1 Year or Less	Notional Amount 1 – 5 Years	Notional Amount Total	Credit Risk	Total Estimated Fair Value
2002					
Swaps	**$ 71,000**	**$ 560,300**	**$ 631,300**	**$ –**	**$ (21,541)**
Options purchased	**22,129**	**62,086**	**84,215**	**6,005**	**6,005**
Options written	**23,473**	**77,998**	**101,471**	**–**	**(9,626)**
Forward sales	**–**	**16,545**	**16,545**	**3,837**	**3,753**
	$ 116,602	**$ 716,929**	**$ 833,531**	**$ 9,842**	**$ (21,409)**
2001					
Swaps	$ 173,300	$ 619,600	$ 792,900	$ 10,630	$ (6,237)
Options purchased	30,921	67,439	98,360	3,276	3,276
Options written	31,961	81,825	113,786	–	(23,070)
Forward sales	9,837	16,545	26,382	1,256	394
	$ 246,019	$ 785,409	$ 1,031,428	$ 15,162	$ (25,637)

17. Fair value of financial instruments

The following table represents the fair value of on and off-balance sheet financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	2002 Carrying Value	**2002 Fair Value**	**2002 Fair Value Over (Under) Carrying Value**	2001 Carrying Value	2001 Fair Value	2001 Fair Value Over (Under) Carrying Value
Assets						
Cash and short term investments	**$ 771,522**	**$ 771,522**	**$ –**	$ 854,275	$ 854,275	$ –
Securities	**156,186**	**284,868**	**128,682**	248,205	431,750	183,545
Loans	**548,969**	**555,508**	**6,539**	655,094	661,797	6,703
Investment in affiliate	**320,988**	**604,605**	**283,617**	297,810	556,723	258,913
Accounts and other receivables	**155,299**	**155,299**	**–**	199,597	199,597	–
Total financial assets	**1,952,964**	**$ 2,371,802**	**$ 418,838**	2,254,981	$ 2,704,142	$ 449,161
Non-financial assets	**4,033,988**			3,867,487		
Total assets	**$ 5,986,952**			$ 6,122,468		
Liabilities						
Deposits and certificates	**$ 709,012**	**$ 718,155**	**$ 9,143**	$ 671,248	$ 681,552	$ 10,304
Bankers' acceptances	**–**	**–**	**–**	497,000	497,000	–
Other financial liabilities	**548,377**	**548,377**	**–**	627,837	627,837	–
Long-term debt	**1,386,365**	**1,429,178**	**42,813**	1,362,268	1,373,998	11,730
Total financial liabilities	**2,643,754**	**$ 2,695,710**	**$ 51,956**	3,158,353	$ 3,180,387	$ 22,034
Non-financial liabilities	**393,243**			285,871		
Total liabilities	**$ 3,036,997**			$ 3,444,224		
Derivatives (Note 16)	**$ –**	**$ (21,409)**	**$ (21,409)**	$ –	$ (25,637)	$ (25,637)

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

17. Fair value of financial instruments (cont'd)

Fair value is determined using the following methods and assumptions:

- The fair value of short term financial instruments approximate carrying value. These include cash and short term investments, accounts and other receivables, bankers' acceptances, and other liabilities.
- Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.
- Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

18. Earnings per common share

	2002	2001
Earnings		
Income before discontinued operations	**$ 509,948**	$ 272,878
Discontinued operations	**1,811**	116
Net income	**511,759**	272,994
Preferred dividends	**20,700**	13,299
Net income available to common shareholders	**$ 491,059**	$ 259,695
Number of common shares (in thousands)		
Weighted-average number of common shares outstanding	**263,487**	247,093
Add:		
– Potential exercise of outstanding stock options	**1,386**	839
Weighted-average number of common shares outstanding – diluted basis	**264,873**	247,932
Earnings per common share (in dollars)		
Basic		
Excluding discontinued operations	**$ 1.857**	$ 1.051
Including discontinued operations	**$ 1.864**	$ 1.051
Diluted		
Excluding discontinued operations	**$ 1.847**	$ 1.047
Including discontinued operations	**$ 1.854**	$ 1.047

In certain circumstances, the preferred shares referred to in Note 14 are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

19. Contingencies and commitments

The Company is committed to the following annual lease payments under its operating leases: 2003 – $40,959; 2004 – $31,686; 2005 – $24,437; 2006 – $20,614 and 2007 – $18,253.

20. Related party transactions

The Company enters into transactions with The Great-West Life Assurance Company and London Life Insurance Company, subsidiaries of its affiliate, Great-West Lifeco Inc. These transactions are in the normal course of operations and at market terms and conditions.

During the year, the Company provided to and received from Great-West Life, a member of the Power Financial Corporation group of companies, certain administrative services. The Company distributes life insurance and disability insurance products under a distribution agreement with Great-West Life and received $17,082 in distribution fees (2001 – $16,878). London Life distributes certain mutual funds of the Company.

During 2002, the Company sold residential mortgage loans to Great-West Life and London Life for $200,088 (2001 – $278,031).

21. Segmented information

The Company acquired Mackenzie effective April 20, 2001. As a result, the Company revised its reportable segments from fee-based operations and intermediary operations to Investors Group, Mackenzie, and Corporate and Other to conform to the current organizational structure and to the basis upon which management measures and evaluates performance.

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products.

Corporate and Other includes primarily net investment income on unallocated investments and interest expense on corporate debt.

2002	Investors Group	Mackenzie	Corporate and Other	Total
Total assets under management and administration:	$ 39,678,103	$ 35,281,603	$ 648,644	$ 75,608,350
Income	$ 1,130,042	$ 801,518	$ 8,476	$ 1,940,036
Expenses	449,581	583,271	–	1,032,852
Earnings before undernoted	$ 680,461	$ 218,247	$ 8,476	907,184
Interest expense				79,514
Income before income taxes, non-controlling interest and discontinued operations				827,670
Income taxes				317,401
Non-controlling interest				321
Income before discontinued operations				509,948
Discontinued operations				1,811
Net income				$ 511,759

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

21. Segmented information (cont'd)

2001	Investors Group	Mackenzie	Corporate and Other	Total
Total assets under management and administration:	$ 43,786,454	$ 39,410,912	$ 827,968	$ 84,025,334
Income	$ 1,168,459	$ 549,637	$ 42,512	$ 1,760,608
Expenses	578,586	415,737	–	994,323
Earnings before undernoted	$ 589,873	$ 133,900	$ 42,512	766,285
Restructuring costs				95,610
Interest expense				73,195
Income before income taxes, non-controlling interest, goodwill amortization and discontinued operations				597,480
Income taxes				252,474
Non-controlling interest				159
Income before goodwill amortization and discontinued operations				344,847
Goodwill amortization, net of tax				71,969
Income before discontinued operations				272,878
Discontinued operations				116
Net income				$ 272,994

22. Acquisition of Mackenzie Financial Corporation

Effective April 20, 2001, the Company acquired all of the outstanding common shares of Mackenzie, a Canadian financial services company, for a cash consideration of $3.202 billion and the issue of 38,802,952 common shares of the Company which represented a total consideration of $3.991 billion including transaction costs. Consideration paid consisted of the following:

($ millions)	
Cash	$ 427
Bridge credit facility	897
Bank term loan	550
Issue of debentures	600
Issue of preferred shares	360
Issue of common shares	368
Total cash consideration	3,202
Fair value of share exchange	789
Total consideration	$ 3,991

To support this transaction, on April 19, 2001 The Great-West Life Assurance Company, an affiliate of the Company, invested $230 million to acquire 9,200,000 common shares while Power Financial Corporation invested $138.3 million to acquire 5,532,000 common shares and now owns 56.1% of the outstanding common shares of the Company.

The acquisition was accounted for by the purchase method and the results of Mackenzie's operations have been included in the consolidated statements of income from the date of acquisition.

December 31, 2002 and 2001 (In thousands of dollars, except shares and per share amounts)

22. Acquisition of Mackenzie Financial Corporation (cont'd)

Details of the consideration paid and the fair values of the net assets acquired are as follows:

($ millions)		
Fair value of assets acquired:		
Cash and short term investments	$	600
Securities		47
Loans		427
Deferred selling commissions		585
Management contracts		606
Trade names		275
Other assets		132
		2,672
Less liabilities assumed and non-controlling interest:		
Deposits		423
Other liabilities		215
Restructuring costs allocated to purchase price		24
Future income taxes on intangible assets		133
Future income taxes		194
Non-controlling interest		14
		1,003
Fair value of net assets acquired		1,669
Goodwill		2,322
Total purchase consideration	$	3,991

The purchase price has been allocated to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of consideration paid over the estimated fair value of net assets acquired has been recorded as goodwill.

23. Restructuring

In connection with the acquisition of Mackenzie, the Company commenced the integration and rationalization of its administration, systems and operations in 2001. Estimated costs of $95.6 million ($56.0 million after tax) were charged to earnings in the second quarter of 2001. These costs include severance and related expenses, decommissioning of systems, and restructuring certain businesses. At December 31, 2002, the unexpended portion of the restructuring provision was $69.8 million (2001 – $85.2 million).

24. Discontinued operations

On August 29, 2002 ("measurement date"), Mackenzie and its majority owned (85.7%) subsidiary, Mackenzie Investment Management, Inc. ("Mackenzie Investment"), a U.S. financial services company, entered into an agreement to sell Mackenzie Investment to Waddell & Reed Financial, Inc. On December 16, 2002 ("disposal date"), Mackenzie completed the sale. The disposition was made for proceeds of $94,674, net of the amount allocated to non-controlling interest, resulting in a net gain of $1,973. The gain on sale includes the recognition of the cumulative foreign currency translation adjustment at the disposal date of $1,085 and the results of operations between the measurement date and disposal date.

		2002		2001
Revenue	**$**	**29,822**	$	34,567
(Loss) income from operations		**(162)**		116
Net gain on sale of discontinued operations		**1,973**		–
Discontinued operations	**$**	**1,811**	$	116

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Investors Group Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgements and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.

R. Jeffrey Orr
President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

AUDITORS' REPORT

To the Shareholders, Investors Group Inc.

We have audited the consolidated balance sheets of Investors Group Inc. as at December 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
January 30, 2003

Condensed Consolidated Statements of Income ($ Thousands except amounts per share)

for the years ended December 31	2002	2001	2000	1999	1998	5 Year % CAGR[1]	1997	1996	1995	1994	1993	10 Year % CAGR[1]
Fee income	1,813,205	1,626,934	1,075,504	939,656	864,445	*19.9*	730,819	544,375	434,447	407,710	336,891	*21.6*
Net investment income	126,831	133,674	121,604	86,782	73,730	*12.3*	71,031	69,101	54,014	39,571	47,820	*7.6*
	1,940,036	1,760,608	1,197,108	1,026,438	938,175	*19.3*	801,850	613,476	488,461	447,281	384,711	*19.9*
Operating expenses	1,112,366	1,163,128	690,398	612,300	614,004	*15.0*	552,454	434,643	339,705	327,100	290,147	*16.6*
Income before undernoted	827,670	597,480	506,710	414,138	324,171	*27.1*	249,396	178,833	148,756	120,181	94,564	*26.8*
Income taxes	317,401	252,474	222,418	178,525	135,827	*25.5*	101,884	61,331	51,049	35,578	24,261	*32.5*
	510,269	345,006	284,292	235,613	188,344	*28.2*	147,512	117,502	97,707	84,603	70,303	*24.2*
Non-controlling interest	321	159	–	–	–	–	–	–	–	–	–	–
	509,948	344,847	284,292	235,613	188,344	*28.2*	147,512	117,502	97,707	84,603	70,303	*24.2*
Goodwill amortization, net of tax	–	71,969	267	–	–	–	–	–	–	–	–	–
	509,948	272,878	284,025	235,613	188,344	*28.2*	147,512	117,502	97,707	84,603	70,303	*24.2*
Discontinued operations	1,811	116	–	–	–	–	–	–	–	–	–	–
Net income	511,759	272,994	284,025	235,613	188,344	*28.2*	147,512	117,502	97,707	84,603	70,303	*24.3*
Preferred dividends	20,700	13,299	–	–	–	–	–	–	–	–	–	–
Net income available to common shareholders												
Including goodwill amortization and restructuring costs	491,059	259,695	284,025	235,613	188,344	*27.2*	147,512	117,502	97,707	84,603	70,303	*23.7*
Excluding Mackenzie goodwill amortization and restructuring costs	491,059	387,657	284,292	235,613	188,344	*27.2*	147,512	117,502	97,707	84,603	70,303	*23.7*
Excluding goodwill amortization and restructuring costs	491,059	392,637	284,292	235,613	188,344	*27.2*	147,512	117,502	97,707	84,603	70,303	*23.7*
Diluted earnings per share ($)												
Including goodwill amortization and restructuring costs	1.85	1.05	1.35	1.12	0.89	*21.5*	0.70	0.56	0.46	0.40	0.33	*20.6*
Excluding Mackenzie goodwill amortization and restructuring costs	1.85	1.56	1.35	1.12	0.89	*21.5*	0.70	0.56	0.46	0.40	0.33	*20.6*
Excluding goodwill amortization and restructuring costs	1.85	1.58	1.35	1.12	0.89	*21.5*	0.70	0.56	0.46	0.40	0.33	*20.6*
Dividends per share (¢)	86	73	61	49	38	*23.4*	30	25	19	16	13	*22.8*
ROE[2] (%)												
Excluding goodwill amortization	19.2	16.7	28.1	26.4	23.8	–	21.1	18.8	17.3	16.6	15.2	–
Excluding goodwill amortization and restructuring	19.2	19.6	28.1	26.4	23.8	–	21.1	18.8	17.3	16.6	15.2	–
Average shares outstanding (000's)												
– Basic	263,487	247,093	210,012	210,854	211,396	–	211,383	211,370	211,370	211,370	211,370	–
– Diluted	264,873	247,932	210,870	210,854	211,396	–	211,383	211,370	211,370	211,370	211,370	–
Share price (closing $)	26.75	25.50	25.95	20.60	26.40	*3.4*	22.60	13.50	8.31	8.69	11.38	*15.3*

Statistical Information ($ Millions)

	2002	2001	2000	1999	1998	5 Year % CAGR[1]	1997	1996	1995	1994	1993	10 Year % CAGR[1]
Mutual Funds												
Investors Group												
Sales	4,916	6,027	7,053	5,915	6,296	*(5.5)*	6,513	5,031	3,472	4,240	3,940	*4.6*
Redemption rates (%)												
including MMF[3]	12.6	11.6	14.0	11.9	10.0	–	9.9	11.6	15.4	13.7	12.2	–
excluding MMF[3]	10.2	9.6	11.7	9.8	8.3	–	8.2	9.5	13.2	11.6	9.9	–
Net sales	(109)	1,031	976	1,370	2,887	*N/M*	3,522	2,361	543	1,900	2,168	*N/M*
Assets under management	37,588	41,644	44,498	40,650	36,064	*3.1*	32,248	25,912	20,262	17,571	15,800	*12.7*
Mackenzie[4]												
Sales	5,998	3,454	–	–	–	–	–	–	–	–	–	–
Redemption rates (%)												
including MMF[3]	17.6	16.7	–	–	–	–	–	–	–	–	–	–
excluding MMF[3]	11.9	11.6	–	–	–	–	–	–	–	–	–	–
Net sales	288	24	–	–	–	–	–	–	–	–	–	–
Assets under management	30,860	33,400	–	–	–	–	–	–	–	–	–	–
Combined assets under management	68,448	75,044	44,498	40,650	36,064	*16.2*	32,248	25,912	20,262	17,571	15,800	*19.7*
Insurance in force (face amount)	27,546	24,374	20,876	18,086	14,548	*17.5*	12,279	10,327	9,256	8,158	7,600	*14.7*
Securities operations assets under administration	4,938	4,104	2,646	1,471	590	*73.3*	316	128	–	–	–	–
Mortgages serviced	6,938	7,659	7,147	7,569	8,144	*10.8*	4,157	4,145	3,935	3,541	3,120	*8.7*
Deposits and certificates	709	671	219	307	372	*7.8*	488	986	1,032	1,085	1,240	*(6.7)*
Corporate Assets	5,987	6,122	1,985	1,812	1,799	*27.7*	1,765	1,959	1,904	1,866	1,951	*11.0*
Mutual fund unitholder Accounts (Thousands)	9,197	9,226	4,751	4,203	3,627	*26.1*	2,890	2,196	1,726	1,485	1,184	*25.2*
Clients (Thousands)	2,578	2,625	1,167	1,138	1,053	*22.4*	940	846	764	706	538	*18.4*
Consultants	3,324	3,409	3,483	3,626	3,774	*(1.1)*	3,507	3,187	3,032	3,395	3,019	*2.9*

Includes Mackenzie from date of acquisition (April 20, 2001)

[1] Compound annual growth rate. [2] Return on average common equity. [3] Money market funds. [4] For Canadian mutual fund operations only

QUARTERLY REVIEW

Statements Of Quarterly Income ($ Thousands except amounts per share)

For the years ended December 31				2002				2001
	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	$ 321,713	$ 332,413	$ 366,024	$ 359,773	$ 356,659	$ 354,309	$ 331,508	$ 212,782
Administration	74,259	74,580	70,724	75,758	74,683	70,990	65,144	35,649
Distribution	35,421	34,300	34,638	33,602	34,278	33,417	32,708	24,807
Net Investment income and other	33,194	33,177	30,185	30,275	37,773	35,643	37,097	23,161
Total fee and net investment income	464,587	474,470	501,571	499,408	503,393	494,359	466,457	296,399
Operating expenses								
Commission expense	117,134	118,821	129,766	131,759	131,511	133,026	128,277	97,899
Non-commission expenses	130,195	125,877	133,597	145,703	139,125	144,607	136,852	83,026
Interest expense	19,471	19,801	19,947	20,295	22,033	25,758	24,735	669
Restructuring costs	–	–	–	–	–	–	95,610	–
Total operating expenses	266,800	264,499	283,310	297,757	292,669	303,391	385,474	181,594
Income before undernoted	197,787	209,971	218,261	201,651	210,724	190,968	80,983	114,805
Income taxes	76,693	78,486	82,100	80,122	95,024	74,938	31,914	50,598
	121,094	131,485	136,161	121,529	115,700	116,030	49,069	64,207
Non-controlling interest	92	66	82	81	57	60	42	–
	121,002	131,419	136,079	121,448	115,643	115,970	49,027	64,207
Goodwill amortization	–	–	–	–	25,290	26,263	20,298	118
	121,002	131,419	136,079	121,448	90,353	89,707	28,729	64,089
Discontinued operations	3,452	(1,576)	(329)	264	(196)	(226)	538	–
Net income	124,454	129,843	135,750	121,712	90,157	89,481	29,267	64,089
Preferred dividends	5,175	5,175	5,175	5,175	5,175	5,175	2,949	–
Net income available to common shareholders								
Including goodwill amortization and restructuring costs	$ 119,279	$ 124,668	$ 130,575	$ 116,537	$ 84,982	$ 84,306	$ 26,318	$ 64,089
Excluding Mackenzie goodwill amortization and restructuring costs	$ 119,279	$ 124,668	$ 130,575	$ 116,537	$ 112,198	$ 110,569	$ 100,683	$ 64,207
Excluding goodwill amortization and restructuring costs	$ 119,279	$ 124,668	$ 130,575	$ 116,537	$ 113,443	$ 111,814	$ 101,928	$ 65,452
Diluted earnings per share (¢)								
Including goodwill amortization and restructuring costs	45.0	47.1	49.2	44.0	32.2	31.9	10.4	30.4
Excluding Mackenzie goodwill amortization and restructuring costs	45.0	47.1	49.2	44.0	42.5	41.8	39.9	30.5
Excluding goodwill amortization and restructuring costs	45.0	47.1	49.2	44.0	43.0	42.3	40.4	31.0
Dividends per share (¢)	22.5	22.5	20.5	20.5	19.0	19.0	17.5	17.5
Statistical Information ($ Millions)								
Mutual funds								
Investors Group								
Sales	$ 965	$ 964	$ 1,256	$ 1,731	$ 1,264	$ 1,250	$ 1,470	$ 2,043
Redemption rate (%)								
including MMF[1]	12.6	11.7	11.2	11.1	11.6	12.3	12.7	13.2
excluding MMF[1]	10.2	9.6	9.2	9.1	9.6	10.2	10.6	11.0
Net sales	(440)	(216)	(23)	570	156	114	179	582
Assets under management	37,588	36,423	39,921	43,080	41,644	40,562	43,822	42,816
Mackenzie Financial Corporation[2]								
Sales	$ 1,320	$ 1,177	$ 1,672	$ 1,829	$ 1,406	$ 1,111	$ 937	$ –
Redemption rate (%)								
including MMF[1]	17.6	17.7	17.2	17.5	16.7	15.3	14.5	–
excluding MMF[1]	11.9	11.8	11.2	11.5	11.6	11.2	11.1	–
Net sales	11	(101)	137	241	68	28	(72)	–
Assets under management	30,860	30,037	32,464	34,707	33,400	28,414	30,510	–
Combined assets under management	68,448	66,460	72,385	77,787	75,044	68,976	74,332	42,816
Insurance in force (face amount)	27,546	26,725	26,489	25,127	24,374	23,928	22,952	22,016
Securities operations assets under administration	4,938	4,089	4,309	4,419	4,104	3,432	3,600	2,651
Mortgages serviced	6,938	7,088	7,257	7,463	7,659	7,745	7,866	7,037
Deposits and certificates	709	700	699	681	671	660	620	214
Corporate assets	5,987	6,165	6,087	6,156	6,122	6,091	6,458	1,986
Consultants	3,324	3,266	3,321	3,361	3,409	3,460	3,532	3,456

Includes Mackenzie from date of acquisition (April 20, 2001)

(1) Money market funds and managed yield funds. (2) For Canadian mutual fund operations only

Investors Group Inc. is one of Canada's premier mutual fund, managed asset and personal financial services companies. Today, its controlling shareholder, Power Financial Corporation, directly or indirectly holds 59.7% of its outstanding shares.

The Company has two operating units – Investors Group and Mackenzie Financial Corporation. In addition to an exclusive family of mutual funds, managed asset and other investment vehicles, Investors Group offers a wide range of mortgage, insurance and brokerage services. Mackenzie offers a family of mutual and segregated funds, provides trustee, administrative and securities services and offers a wide variety of deposit and lending products.

Operating in the financial services industry, the Company is already subject to many guidelines and regulations concerning its affairs. The Company believes that active Boards and Board Committees are the cornerstone of sound corporate governance, and offers the following comments with respect to its governance practices.

Board and Board Committees

The Board of the Company is comprised of 19 Directors, and there are four Committees of the Board. A total of 21 Board and Board Committee meetings are scheduled for 2003. The mandate of the Board is to supervise the management of the business and affairs of the Company. Some of the key functions of the Board of Directors include succession planning, evaluating the performance and effectiveness of senior management, reviewing the strategic plans developed by senior management, identifying risks and assessing controls, and developing an effective approach to governance issues.

The management of Investors Group's mutual funds is supervised by a separate Board of Directors composed of individuals who are not Directors of the Board of the Company except for the President. The management of Mackenzie's mutual funds is also supervised by a separate Board of Directors, a majority of whom are independent.

The mandates of the various Committees of the Board of the Company are as follows:

Executive Committee

The Executive Committee exercises all powers for the Board of Directors between meetings of the Board, except those powers which by law cannot be delegated to an executive committee. Its mandate is to supervise the management of the business and affairs of the Company. The Executive Committee is responsible for the development of position descriptions for senior management, the recommendation, after consultation, of appointments to senior management, the review of senior management's performance and effectiveness, the determination of senior management's compensation and establishing the limits of senior management's responsibilities. The Executive Committee is involved on an ongoing basis in reviewing and approving the strategic plans developed by management, as well as the annual business plans incorporating business objectives and key results for which management is also responsible. Eight meetings are scheduled for 2003.

Public Policy Committee

The Public Policy Committee reviews and assesses the Company's policies and procedures with respect to charitable contributions, personnel policies and employment practices and other matters relative to the Company's response to its social obligations and to the public interest in the conduct of its business. Two meetings are scheduled for 2003.

Audit Committee

The primary mandate of the Audit Committee is to review the quarterly and annual financial statements, public disclosure documents containing financial information and reports to be filed with regulatory authorities in connection with the financial condition of the Company. In addition, the Audit Committee reviews and monitors the role of the external auditor and ensures that appropriate internal control procedures are in place to address identified business risks. The Audit Committee regularly meets separately with the external auditor, without the presence of management. Four meetings are scheduled for 2003.

Investment Committee

The Investment Committee's mandate is to monitor the investment operations of the Company and its subsidiaries. The Committee is responsible for reviewing compliance with, and approving changes in, the investment policy of the Company and its subsidiaries. Three meetings are scheduled for 2003.

Board and Board Committee Composition

The majority of the 19 directors on the Board are considered to be unrelated to the Company. In addition, a number of directors are free from any interests in, or relationships with, either the Company or its controlling shareholder.

There are a majority of Directors unrelated to the Company on all Committees of the Board, and the Audit Committee is comprised entirely of non-management Directors. The Chairs of the Board Committees are all non-management Directors.

Board Operation

The Chairman's responsibility toward the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, recommendations concerning Directors' compensation, and any change that would improve the working of the Board. The Chairman, together with the Chief Executive Officer, also provides new Directors with an orientation to assist the Directors in becoming acquainted with the affairs of the Company. The Board of Directors itself determines the effectiveness of its size to ensure efficiency and to facilitate effective decision-making. It is ultimately the role of the Company's shareholders, however, to assess the effectiveness of the Board of Directors.

The strategic and annual business plans for the Company are submitted to the Board for ratification. Management is expected to implement the plans, achieve the objectives and anticipated results, and to report regularly to the Board and the Executive Committee on their progress.

Committees may, at the expense of the Company, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

Shareholder Communications

In addition to the public documents the Company is required to file with the various regulatory authorities, the Company regularly communicates with its shareholders and the financial community through quarterly reports, the annual report and press releases, as needed. A question period is reserved for shareholders at the end of each Annual Shareholder's Meeting and shareholders are invited to ask questions or address their comments to the directors and senior officers of the Company. Any shareholder wishing to contact the Company may do so through the Corporate Secretary's Department.

Robert Gratton
Chairman of the Board

James W. Burns, O.C. (1,3)
Director Emeritus
Power Corporation of Canada

André Desmarais (1,4)
President and Co-Chief Executive Officer
Power Corporation of Canada

Paul G. Desmarais, P.C., C.C.
Chairman of the Executive Committee
Power Corporation of Canada

Paul Desmarais, Jr. (1,4)
Chairman and Co-Chief Executive Officer
Power Corporation of Canada

Alan J. Dilworth, F.C.A. (2)
President
Alan J. Dilworth Consulting Inc.

Wanda M. Dorosz (4)
President, Chief Executive Officer
and Managing Partner
Quorum Group of Companies

Robert Gratton (1,4)
Chairman of the Board
Investors Group Inc.
President and Chief Executive Officer
Power Financial Corporation

James L. Hunter, F.C.A.
President and Chief Executive Officer
Mackenzie Financial Corporation

Daniel Johnson (1,4)
Counsel
McCarthy Tétrault

The Right Honourable
Donald F. Mazankowski, O.C., P.C. (1,2,4)
Company Director

John S. McCallum (2,3)
Professor of Finance
University of Manitoba

Raymond L. McFeetors
President and Chief Executive Officer
The Great-West Life Assurance Company

R. Jeffrey Orr (1,4)
President and Chief Executive Officer
Investors Group Inc

Roy W. Piper (2,3)
Self-Employed Farmer

The Honourable
P. Michael Pitfield, P.C., Q.C. (2)
Vice-Chairman
Power Corporation of Canada

Michel Plessis-Bélair, F.C.A. (1,2,4)
Vice-Chairman and Chief Financial Officer
Power Corporation of Canada

H. Sanford Riley (4)
Company Director

Susan Sherk (1,3)
Senior Consultant
AMEC Earth and Environmental Limited

Gérard Veilleux, O.C., D.U. (2,3)
President
Power Communications Inc.

Committees

1 Executive Committee
Chair, Robert Gratton

2 Audit Committee
Chair, The Right Honourable
Donald F. Mazankowski, O.C., P.C.

3 Public Policy Committee
Chair, Susan Sherk

4 Investment Committee
Chair, Robert Gratton

IGI

INVESTORS GROUP INC.

R. Jeffrey Orr
President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

Alan Joudrey
Senior Vice-President, Banking Products and Services

Kevin E. Regan
Senior Vice-President, Marketing and Consultant Services

Donald W. Smith
Senior Vice-President, Human Resources

W. Terrence Wright, Q.C.
Senior Vice-President, General Counsel and Secretary

Murray Taylor
Executive Vice-President, Financial Services Division

Gary Wilton
Executive Vice-President, Client and Information Services

Murray D. Kilfoyle
Senior Vice-President, Client Services

Ronald D. Saull
Senior Vice-President and Chief Information Officer

John Wiltshire
Senior Vice-President, Product and Financial Planning

MACKENZIE FINANCIAL CORPORATION

James L. Hunter, F.C.A.
President and Chief Executive Officer

Laurie J. Munro
Executive Vice-President, Strategic and Business Planning

David B. Feather
President, Mackenzie Financial Services Inc., and Executive Vice-President, Marketing and Sales

Edward L. Merchand
Senior Vice-President and Chief Financial Officer

Philip F. Cunningham
Chairman, Mackenzie Financial Services Inc.

Peter Dawkins
Executive Vice-President and Chief Investment Officer

W. Sian B. Brown
Senior Vice-President, General Counsel and Secretary

Frederick H. Sturm
Senior Vice-President and Chief Investment Strategist

I.G. INVESTMENT MANAGEMENT, LTD.

A. Scott Penman
President and Managing Partner

Alan Brownridge
Managing Partner

Domenic Grestoni
Managing Partner

MRS GROUP OF COMPANIES

Andrew H. Dalglish
President and Chief Executive Officer, MRS Group of Companies

Allan M. Warren
President and Chief Executive Officer, M.R.S. Trust Company

Theresa E. Currie
Vice-Chairman, Multiple Retirement Services Inc.

W. Scott Sinclair
President and Chief Executive Officer, Multiple Retirement Services Inc.

IGI

Head Office

One Canada Centre, 447 Portage Avenue
Winnipeg, Manitoba R3C 3B6
Telephone: 204 943 0361
Fax: 204 947 1659

Stock Exchange Listing

Toronto Stock Exchange

Shares of Investors Group Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGI
First Preferred Shares, Series A: IGI.PR.A

Auditors

Deloitte & Touche LLP

Transfer Agent and Registrar

Computershare Trust Company of Canada
1190-201 Portage Avenue
Winnipeg, Manitoba, Canada R3B 3K6
Telephone: 888 267 6555
204 940 4600
Fax: 204 940 4608

Annual Meeting

The Annual Meeting of Investors Group Inc. will be held in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba, on Monday, April 28, 2003 at 11:00 a.m. Central Daylight Time.

Analyst Contact

For additional financial information about the Company, please contact:
Gregory D. Tretiak,
Executive Vice-President, Finance
Telephone: 204 956 8748
Fax: 204 956 1446
Email: greg.tretiak@investorsgroup.com

Shareholder Information

For additional information about the Company, please contact:
Donna L. Janovcik,
Associate Corporate Secretary
Telephone: 204 956 8532
Fax: 204 949 9594
Email: corpsec@investorsgroup.com

Normal Course Issuer Bid

The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from February 22, 2003 to February 21, 2004. During the course of the bid, the Company intends to purchase for cancellation up to but not more than 13,192,392 common shares being approximately 5% of its outstanding capital. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

Websites

Visit our Websites at **www.investorsgroup.com** and **www.mackenziefinancial.com**

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire de Groupe Investors Inc., One Canada Centre, 447 Portage Avenue, Winnipeg, Manitoba R3C 3B6

Investors Group Inc. is a member of the Power Financial Corporation group of companies.

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Mackenzie MUTUAL FUNDS*

Investors Group Inc.

Investors Group™

SOLUTIONS BUILT AROUND YOU™